

VIRGINIA:

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

SEPTEMBER 19, 2006

APPEARANCES:

BOARD MEMBERS:

PEGGY BARBAR - PUBLIC MEMBER

BILL HARRIS - CITIZEN REPRESENTATIVE

DONNIE RATLIFF - COAL REPRESENTATIVE

CHAIRMAN:

BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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BENNY WAMPLER: Okay. We'll call the meeting to order. Good morning. My name is Benny Wampler. I'm Deputy Director for the Department of Mines, Minerals and Energy and Chairman of the Gas and Oil Board. I'd ask the Board members to introduce themselves starting with Ms. Barbar.

PEGGY BARBAR: Peggy Barbar, Dean of Engineering, Southwest Virginia Community College, a member at-large.

BILL HARRIS: I'm Bill Harris. I'm on the faculty at Mountain Empire Community College, a public member from Wise County.

SHARON PIGEON: I'm Sharon Pigeon with the Office of the Attorney General.

DONNIE RATLIFF: I'm Donnie Ratliff from Alpha Natural Resources representing the coal.

BOB WILSON: I'm Bob Wilson and I'm the Director of the Division of Gas and Oil and Principal Executive to the Staff of the Board.

BENNY WAMPLER: Thank you. Today's agenda begins with a petition from Equitable Production Company for repooling of coalbed methane unit VC-536616. This is docket number VGOB-05-1115-1532-01. It was continued from August. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman and members of the

Board, at this time we'd ask that that petition be withdrawn. Actually, if you want to call the next two, we're going to withdraw those also.

BENNY WAMPLER: All right. We'll go ahead and call docket number VGOB-05-1115-1533-01. You're withdrawing that one, is that correct?

JIM KAISER: Yes, sir.

BENNY WAMPLER: And then next would be docket number VGOB-05-1115-1537-01 and that's withdrawn?

JIM KAISER: That will be withdrawn also. Then we will---.

BENNY WAMPLER: Any other housekeeping?

JIM KAISER: ---hear number four.

BENNY WAMPLER: Any other housekeeping of the ones that you have?

JIM KAISER: Not on my part.

BENNY WAMPLER: All right. The next item on the agenda is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536622, docket number VGOB-06-0321-1608. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and Don Hall on behalf of Equitable Production

Company. I'd ask that Mr. Hall be sworn in at this time.

(Don Hall is duly sworn.)

BENNY WAMPLER: The record will show no others.

You may proceed.

JIM KAISER: This is the fourth well in a group of four wells that we filed. It involved some acreage with some other oil and gas lessees. There's not an agreement in place between those three lessees as to the operations of these units. But in this particular unit, we still have the unknown Yellow Popular interest. So, we have to go forward and pool this one.

DON HALL

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, if you would state your name for the record, who you're employed by and in what capacity.

A. My name is Don Hall. I'm employed by Equitable Production Company as District Landman.

Q. Do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. Are you familiar with Equitable's application seeking a pooling order for EPC well number VC-536622, which was dated February the 17th, 2006?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of the application, were efforts made to contact each of interest owners within the unit and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. And at this time, while we're here at the hearing, what is the percentage of the gas estate in the unit that's under lease to Equitable?

A. The percentage of the gas estate is 5.94% leased.

Q. And the percentage of the coal estate under lease to Equitable?

A. 100%.

Q. And are all the unleased parties set out in our revised Exhibit B-3 that was just passed out?

A. Yes.

Q. Now, are you familiar with the ownership of

drilling rights of parties other than Equitable underlying this unit?

A. Yes.

Q. And what percentage of the gas estate remains unleased?

A. 94.06%.

Q. And that's represented by the unknown interest of the Yellow Popular Lumber Company?

A. That's correct.

Q. Again, you've made reasonable and diligent efforts to attempt to identify any shareholders or successor trustees or some (inaudible) ownership of Yellow Popular?

A. Yes.

Q. In your professional opinion, was due diligence exercised to locate each of the respondents named in these exhibits?

A. Yes.

Q. And are the addresses set out in revised Exhibit B to the application the last known addresses for the respondents?

A. They are.

Q. Are you requesting the Board to force pool all unleased interest as listed as revised Exhibit B-3?

A. Yes.

Q. Now, are you familiar with the fair market value of drilling units in the unit here and in the surrounding area?

A. I am.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus, a five year term and one-eighth royalty.

Q. And, in your opinion, do the terms you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

Q. Now, as to...it's just Yellow Popular. Well, as to the respondents listed at revised Exhibit B-3, do you agree that they be allowed the following statutory options with respect to their ownership interest: 1) Participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his or her

interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to their interest equal, A) 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that the order provide that elections by any respondents be in writing and sent to the applicant at Equitable Production Company, 1710 Pennsylvania Avenue, P. O. Box 2347, Charleston, West Virginia 25328, Attention: Leslie Smith, Regulatory?

A. Yes.

Q. Do you recommend that the order provide that if no written election is properly made by a respondent, then such respondent should be deemed to have elected the cash royalty option in lieu of any participation?

A. Yes.

Q. Should the unleased respondents be given 30 days from the date that they receive the Board order to file their written elections?

A. Yes.

Q. If an unleased respondent elects to participate, should they be given 45 days to pay the applicant for their proportionate share of actual well costs?

A. Yes.

Q. Does the applicant expect any party that elects to participate to pay in advance that party's share of completed well costs?

A. Yes.

Q. Should the applicant be allowed 120 days following the recordation date of the Board order and thereafter annually on that date until production is achieved, to pay or tender cash bonus or delay rental becoming due under the force pooling order?

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs, then their election to participate should be treated as having been withdrawn and void and such respondent should be treated as if no initial election had been filed under the order, in other words, deemed to have leased?

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of well costs, any cash sum becoming payable to that respondent be paid within 60 days after the last date on which that respondent could have paid those well costs?

A. Yes.

Q. In this particular case, we do have an Exhibit E because of the unknown interest of the Yellow Popular Lumber Company. So, the Board does need to establish an escrow account for proceeds in Tract 1, correct?

A. That's correct.

Q. Okay. And who should be named operator under any order?

A. Equitable Production Company.

Q. And the total depth of the proposed well?

A. 2,069 feet.

Q. The estimated reserves for the unit?

A. 230 million cubic feet.

Q. Are you familiar with the well costs?

A. Yes.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. The dry hole costs is \$146,612 and the completed well costs is \$353,377.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

MR. KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Have you drilled the well?

DON HALL: No.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Your revised Exhibit E only shows that the gas estate is subject to escrow wherein, I believe, the gas and coal estate should be escrowed under that property. Your initial Exhibit E that you filed originally is correct. It shows both coal and gas estates.

DON HALL: You're right.

BOB WILSON: We will...we can use the initial---.

JIM KAISER: Can you just substitute?

BOB WILSON: ---Exhibit E, if that's acceptable to the Board.

DON HALL: That's fine.

BENNY WAMPLER: We will do that. Any other questions or comments?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted with the switching out of the Exhibit Es.

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: I have a motion to approve. Is

there a second?

BILL HARRIS: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a...unless you folks waive to finish them up, you're next.

MARK SWARTZ: How many have you got?

JIM KAISER: I've got a bunch. You'll probably want to go ahead.

BENNY WAMPLER: The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit O-76. This is docket number VGOB-06-0620-1647. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mr. Swartz, Mr. Chairman. Pine Mountain is here on O-76 and they've requested that we continue this...or, I guess, that you continue this one, O-76. We don't have any objection to that, but it has been continued several times. So, that would be a housekeeping

matter.

BENNY WAMPLER: Any objection to continuing it?

(No audible response.)

BENNY WAMPLER: It's continued. We will reach a point to we won't continue it.

MARK SWARTZ: I understand.

BENNY WAMPLER: And probably at the next hearing.

MARK SWARTZ: Okay.

BENNY WAMPLER: Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit G-9, docket number VGOB-06-0718-1667. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BEN STREET: Ben Street on behalf of Mickey McGlothlin.

BENNY WAMPLER: The record will show no others. You may proceed.

(Leslie K. Arrington is duly sworn.)

LESLIE K. ARRINGTON

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. And what do you do for them?

A. I'm manager of environmental and
permitting.

Q. Okay. Did you either prepare yourself or
have prepared under your direction the notice of hearing,
the amended exhibits that were passed out last time or
mailed to the Board, and the application with regard to G-9?

A. Yes, I was...yes, I was.

Q. Okay. What did you do to notify Mr.
McGlothlin that there was going to be a hearing in this
case?

A. That was mailed by certified mail return
receipt on June the 16th, 2006. It was published in the
Bluefield Daily Telegraph on June the 21st, 2006.

Q. Okay. And you've had correspondence with
his Counsel from time to time---?

A. Yes, we have.

Q. ---since the filing?

A. Yes, we have.

Q. Have there been some revisions to any of the exhibits?

A. Yes. And Anita just passed those out.

Q. Okay. To get Mr. McGlothlin's interest corrected?

A. That's correct.

Q. Okay. Is...who is the applicant here?

A. CNX Gas Company.

Q. Is CNX Gas Company of Virginia...a Virginia General Partnership a Limited Liability Company?

A. Yes, it is.

Q. Is it authorized to do business in Virginia?

A. Yes.

Q. Who is it that the applicant is requesting be appointed designated operator if the application is approved?

A. CNX Gas.

Q. Has CNX Gas registered with the DMME?

A. Yes, it has.

Q. Has it filed a blanket bond as required by law?

A. Yes.

Q. The...there's only one respondent. Do you

want to add any respondents today?

A. No.

Q. And, obviously, you don't want to dismiss Mr. McGlothlin?

A. No.

Q. Okay. What kind of unit is this?

A. It's an Oakwood 80.

Q. And how many wells are proposed?

A. One.

Q. Is it a frac well?

A. Yes.

Q. And where is it located in relation to the window?

A. It's within the drilling window.

Q. Okay. Has that well been permitted?

A. No.

Q. Okay. What's the proposed depth?

A. 2,228 feet to a cost of \$260,374.54.

Q. And your cost estimate is submitted as an exhibit, I take it?

A. Yes, it was.

Q. Okay. What is the interest that you've acquired and what's the interest that you're seeking to pool?

A. We've acquired 98.5037% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 1.4963% of the coal, oil and gas owner's claim to coalbed methane.

Q. Is there any escrow requirement?

A. No.

Q. What are the lease terms that you have offered to the folks that...this 90 plus percent of the folks that you have been able to reach an agreement with?

A. Our standard coalbed methane lease is a dollar per acre per year for...with a five year paid up term and a one-eighth production royalty.

Q. And would you recommend those terms to the Board and incorporate them in any order that they might enter with regard to persons who would be deemed to have been leased?

A. Yes, we would.

Q. Is it your opinion that drilling one frac well in this Oakwood unit within the drilling window is a reasonable way to develop the coalbed methane from this unit?

A. Yes, it is.

Q. And is it your opinion that if you take the leasing and acquisition efforts that the applicant has

succeeded in and combine that with a pooling order pooling Mr. McGlothlin that the correlative rights of all owners and claimants would indeed be protected?

A. Yes.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Mr. Street.

CROSS EXAMINATION

QUESTIONS BY MR. STREET:

Q. Mr. Arrington, the cost...could you repeat the cost figures for me, please?

A. Yes. It's \$260,374.54.

Q. That's the figure that you put in the original application?

A. Yes, it is.

Q. How did you come up with that figure?

A. That's estimated from the depth of the well, what we pay the contractors for drilling per foot. It's listed all on the well cost estimate within the application.

Q. Is that...are those costs the same costs that you've used as an estimate in other frac wells of the same depth?

A. Yes, sir.

Q. When was the last time that you revised those estimates?

A. We revise those estimates when we get a change in pricing. So, it's...we constantly are revising them.

Q. The figures that you have in the application would be unique to this particular well?

A. Yes, they are.

Q. Have you negotiated any short-term or long-term contracts with respect to the gas that you will be withdrawing out of this well?

A. No.

Q. Do you anticipate or have any idea what the price per...per gas unit will be when you finish?

A. No, sir...no, sir, I don't.

Q. Have you or your company or any affiliated company calculated an estimate of the gas price?

A. No, not really, we haven't.

Q. How have you been able to...I assume that you've been able to satisfy yourself that this is going to be a profitable venture?

A. Yes, we have.

Q. How have you been able to do that without any idea what the---?

A. Okay.

Q. ---price or the revenue stream is going to be?

A. Certainly. It's just based on the current gas prices that we see.

Q. What are those, sir?

A. They're anywhere from five to six dollars now.

Q. Any reason to think that you will not be able to sale the gas out of G-9 for five to six dollars?

A. No.

Q. The estimate that you have here on the amount of reserves in this unit is 125 to 550 mmcf?

A. That's correct.

Q. How did you come up that figure?

A. That's...that's derived at...by using the standard cubic feet of methane per ton of coal that we see.

Q. Well, the...I mean, would you agree that's a pretty large range when---?

A. Oh, it certainly is.

Q. ---125 to 550?

A. It is.

Q. Did you...did you use a number of ton figure in order to calculate the estimated gas reserves?

A. Yes, sir, we did.

Q. And what is that figure?

A. I don't have it with me.

Q. Did someone else perform the estimated
reserve---?

A. Yes, they did.

Q. ---calculation, and then they conveyed that
to you?

A. Yes.

Q. Who was that?

A. It would be Rick Toothman.

Q. I'm sorry?

A. Rick Toothman.

Q. The last...how do you spell the last name?

A. T-O-O-T-H-M-A-N.

Q. When did...is it Mr. Toothman? I'm I
pronouncing that right?

A. Yes.

Q. When did Mr. Toothman provide that
information to you?

A. We've been using the same data for several
years now.

Q. Is he an employee with CNX or---?

A. Yes, sir, he is.

Q. Which particular company affiliated with CNX is he an employee?

A. Of CNX Gas Company.

Q. So, walk me through then the steps that you and Mr. Toothman took in arriving at the 125 and 550 figure.

A. We used the existing wells in the field, our res...our desorption data that we have from core holes and Mr. Toothman puts all that information together and he arrives at the estimated reserve figures.

Q. As you sit here today, other than any confidence that you may have in Mr. Toothman, you don't know one way or the other whether these figures are accurate because you didn't calculate those yourselves?

A. I did not calculate them by myself.

Q. Is what I said correct though? Separate and apart from any confidence that you may have in Mr. Toothman, you don't know how accurate these figures would be, do you?

A. I'm very confident that it will be within that range due to the existing wells in and around that area.

Q. So, you have drilled other wells in the area that provides substantiating evidence---

A. Yes, we do.

Q. ---that this is the range?

A. Yes.

Q. What other wells are those?

A. Let me go out through there. We now have operating wells in G-10, G-11 and I can't remember whether we're going north or south of that with the other wells, but we've got other operating wells in that area.

Q. Are G-10 and 11 currently operating?

A. Yes, sir.

Q. And how much gas has G-10 produced?

A. I don't have that with me.

Q. What about G-11?

A. I do not have it with me.

Q. Do you have an approximate figure?

A. No, sir.

Q. Do you know if it's within the 125 to 550 range?

A. I feel like they will be. Again, I don't have that with me and don't look at it maybe once every other month or so.

Q. I understood that you were saying that you have other wells in the vicinity that substantiate your 125 to 550 estimate. Are there...are there some other wells other than G-10 and G-11 that do that?

A. The other wells are going to be east of there and to tell you what numbers they are, I don't have that with me.

Q. Is there a well...you're pointing here at Exhibit A-1---.

A. Uh-huh.

Q. ---which looks like it's...it's B-6 to K-14. That's...give me an approximate number of miles that we're talking about there?

A. For the existing wells?

Q. Just the Exhibit...Exhibit A-1?

A. Yes. Within G-9 you're going to be within a mile or two miles...a mile or two.

Q. Okay.

A. Because this is on...G-9 is on the same ridge line as our existing wells.

Q. Are there any other...are there any other gas wells within a ten mile residence that have produced already 125 to 550 mmcf?

A. That has the history that says they will produce that, yes.

Q. But there are known existing---?

A. No. That's...that's your estimated reserve number. So, they wouldn't have already produced that amount

of gas.

Q. I'm just trying to figure out when you said that there are other wells that support your position that this will produce this amount of gas. I understood you to...what I was thinking you were going to say is we have this well over here that has produced that much.

A. No. That's your estimated reserve for that unit. The wells are showing...their history is showing that they will likely produce that amount of gas.

Q. And that's based on a volume per period of time---?

A. Yes, it is.

Q. ---basis?

A. Yes, sir.

Q. Okay. So, with regard to G-10, for example, the amount of gas that it has produced in any given month, if you calculate that over---?

A. Yes.

Q. ---the life span of the well---?

A. Yes, it will be in that range.

Q. ---you think that it will land you somewhere---?

A. Yes, it will.

Q. ---between 125 and 550?

A. Uh-huh.

Q. Can you give me some concrete figures on G-10 or G-11?

A. I don't have that with me.

Q. Have you, yourself, looked at those other wells and their production history to help you...to give you confidence in this figure or is that information that you've just relied upon Mr. Toothman for?

A. Mr. Toothman.

Q. Will that well be profitable if you only produce 125 mmcf?

A. I can't answer that with confidence.

Q. What about 550?

A. Again, I don't have that information with me to be able to give you a confident answer.

Q. The amended exhibits that you handed out,---?

A. Yes.

Q. ---would you take a look at Exhibit B-3, please?

A. Okay.

Q. Just because I don't see these a whole lot, I'm having a little trouble putting it together. If you skip to Roman number II, "Oil and Gas Fee Ownership".

A. Okay.

Q. There are two tracts that you're referring to there. One is a 1.21 acre tract and the other is a .54 acre tract.

A. Okay.

Q. Is that...so far is that correct?

A. Yes.

Q. With regard to the 1.21 acre tract, in your note you said Mr. McGlothlin owns the entire interest, that is he owns 100% of the coalbed methane gas within the 1.21 acre tract.

A. Okay.

Q. Is that what that means?

A. Yes.

Q. And then out from 1a you have his interest at a fractional share 2,089 over 3,054. Why...why does that not say a 100% of the 1.21 acre tract?

A. Okay. Because if you'll notice the note down at the bottom underneath there, a certain portion of that interest, prior to him purchasing it, we had it leased. We have it leased. That's the reason the entire acreage isn't listed over there.

Q. And so the fractional share that you have there simply means that...that's a figure that is used to

represent or calculate what payments will be made to Mr. McGlothlin?

MARK SWARTZ: It's what we're pooling. It's the interest that we're pooling.

A. Yes, the interest that's being pooled.

Q. Okay. His---

MARK SWARTZ: He'll be paid a bigger interest because, as Les said, he has got some leased. B-3 only identifies what we're pooling.

A. Uh-huh.

Q. Go ahead, Mr. Arrington.

A. Okay. B-3...like Mark said, B-3 only represents what we are pooling. He'll also be paid his additional interest that we have leased per the lease agreement.

Q. I see. Because he is a---.

MARK SWARTZ: He has got a 100%.

Q. He has, in effect, purchased a lessor's interest in the past?

A. Yes, sir.

Q. Okay. Thank you. I truly did not---.

MARK SWARTZ: It's okay.

Q. ---...was not able to understand that. Has Mr. Toothman ever testified before this Board, to your

knowledge?

A. Yes, he has. Numerous times.

Q. Has he ever provided testimony about how he comes up with the reserve numbers?

A. I would think so...yes, I think he has.

Q. Do you recall a specific case or docket entry?

MARK SWARTZ: It was one of the last times that we were here on infill drilling, but which time I'm not sure. I think he testified to a number that was toward the high end of this range, if I'm not mistaken.

Q. Do you recall, Mr. Arrington, about that?

A. He has been...yes, he has been here numerous times and testified to our reserve estimates.

Q. Would he have testified to reserve estimates with regard to a unit in the vicinity of G-9?

A. For the Oakwood Field, in the vicinity---?

Q. Well, that's a big field, right?

A. Yes, yes.

BEN STREET: Okay. Thank you, sir. No further questions, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: May I point out, please, that the permit application for this particular unit has been submitted sometime back and the McGlothlins objected to the permit. They were notified as royalty owners and as such were entitled to object to the permit. Their objection cited unreasonable infringement on the gas owners gas interests. Because this unit is under Board jurisdiction and the correlative rights issues associated with it are Board matters under the section of the statute that instructs me not to hear matters that are under the Board's jurisdiction. I did refer this objection to the Board by letter to Counsel for McGlothlin and to CNX Gas and instructed them to either that the permit would not be issued until either the interests were pooled by the Board or until such time as there was voluntary agreement.

BENNY WAMPLER: Thank you. Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further, Mr. Swartz?

MARK SWARTZ: No.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: I move to approve.

BENNY WAMPLER: Motion to approve. Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussions?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

BEN STREET: With regard to what Bob just said, is that a matter that will be taken up at the next hearing?

BOB WILSON: No, sir, that was...this was it.

BENNY WAMPLER: What happens he's then...will be able to review the permit. He just stopped all action. Well, you can go ahead and tell him what you do.

BOB WILSON: Yes. Basically, when it's referred to the Board, insofar as my interest in this are concerned now, the correlative interests of your client are protected by this Board's decision today. There are no other outstanding valid objections to this permit. So, the permit application will be assessed as normal.

BEN STREET: On the drilling of the well

application?

BOB WILSON: Yes, yes.

BEN STREET: Okay. Are you going to visit that again and have an opportunity to be heard on that or are you making your decision right now or---?

BOB WILSON: No, sir.

BEN STREET: ---have you referred that to the Board today?

BOB WILSON: The Board's decision was what I was waiting on before I would---.

BEN STREET: Okay. So, is it going to...I'm sorry. I...is it now back in your court and are we going to talk to you again about it or is it back in your court and you simply just made a decision?

BOB WILSON: It's back in court. I will take the Board's decision as protection of your correlative rights and satisfaction of the objection that you have made and we'll issue the permit based on standard assessment as opposed to consideration of your objection.

BEN STREET: Okay. Will you give us a couple of weeks to provide any further written argument to you on those points?

BOB WILSON: No, sir. But I'll be glad to talk to you about it.

BEN STREET: You don't want any more writing?

BOB WILSON: No, sir.

BEN STREET: Okay, thank you.

BENNY WAMPLER: Next is a petition from CNX... I'm sorry, from Daugherty Petroleum, Inc. for establishment and pooling of conventional gas unit DPI 1772. His is docket number VGOB-06-0815-1707. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Daugherty Petroleum. I do have two witnesses. But for this particular hearing, I don't think I'm going to need them. This is one that we continued last month at the request of Mr. Palmer and Mr. Browning who are interest owners within the unit. They had a question as to the plat and the way we had the tracts depicted in the unit up in the northwest corner, up at 11:00 on the circle. We did resurvey it and find that Mr. Palmer and Mr. Browning were correct. As such, I have revised plats and revised exhibits for you. What we have done is added a Tract 7.

(Jim Kaiser passes out the revised plat.)

JIM KAISER: And in adding that survey line and adding that Tract 7, obviously, we'd get a new person, Mary Samanelli who was noticed and is leased. But we also...the

changes are the interests of both Tract 1 and 6 changed and all those correct...all those figures are now reflected in the corrected set of exhibits. So, I guess, what I need to do, with the Board's permission, is probably just take testimony as to what the correct leased and unleased percentages are now. I'll ask Debbie Dolly to do that. I'll ask her to be sworn, please.

(Debbie Dolly is duly sworn.)

BENNY WAMPLER: Before you begin, I need to get you to just state your name for the record, sir.

ED BROWNING: Browning...Ed Browning.

BENNY WAMPLER: Thank you.

DEBBIE DOLLY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay, Ms. Dolly, would it be correct then at this time, with the revised set of...plat and set of exhibits, that the percentage in the unit under lease to Daugherty would be 68.6% and the percentage unleased would 31.4%?

A. That's correct.

Q. Okay. And then we've also have added an Exhibit B-2, which reflects the addition of Tract 7 in Mary Samanelli.

BENNY WAMPLER: Jim, do you want to cover her background and qualifications?

SHARON PIGEON: Why she's giving you some testimony.

Q. Yeah, I'm sorry. Ms. Dolly, if you could just go over the...for the Board your work experience.

A. I'm a land manager with Daugherty Petroleum and I've been employed with them for a year and a half. I was a land agent for them for a couple of years prior to that and I've been in the oil and gas business for fifteen years. I held an active real estate license in Indiana for eight years.

JIM KAISER: And we'd ask that with the corrected plat and the corrected exhibits that the application be approved.

BENNY WAMPLER: Do you have any objections?

STEVE MINOR: No. The changes to the plat reflects the issues that we had raised last month.

BENNY WAMPLER: State your name, if you will, please.

STEVE MINOR: My name is Steve Minor and I'm the

lawyer for Allender and Browning. We had raised this issue of this little corner in the map a month ago and it has been resolved.

BENNY WAMPLER: Any questions from members of the Board?

JIM KAISER: I think Ms. Pigeon had one.

SHARON PIGEON: I would like to---.

JIM KAISER: I'm sorry.

SHARON PIGEON: ---have her restate those numbers again.

Q. Debbie, could you restate for the Board both the total percentage leased and the total percentage unleased within this unit?

A. Okay. The leased percentage is 68.60% and the unleased is 31.40.

SHARON PIGEON: Thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BENNY WAMPLER: Motion to approve. Is there a second?

DONNIE RATLIFF: Second.

BENNY WAMPLER: Second. Any further discussions?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

JIM KAISER: Mr. Chairman, I guess I'm kind of asking for my cake and eating it too. But they just have one more and its at the very end of the docket. Both Mr. Minor and Mr. Browning are here. That's all the folks that will be here. Is there any way that we can skip to that one?

BENNY WAMPLER: We'll do that. Which one?

JIM KAISER: Twenty...twenty-nine maybe. Yeah.

BENNY WAMPLER: A petition from Daugherty Petroleum, Inc. for pooling of conventional gas unit DPI 1773, docket number VGOB-06-0919-1726. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser, Brent Camp and Debbie Dolly for Daugherty. We probably need to get Mr. Camp sworn in right now because he'll have to testify for this one.

(Brent Camp is duly sworn.)

BENNY WAMPLER: I need you to state your name for the record, sir.

ED BROWNING: Ed Browning.

BENNY WAMPLER: Thank you. The record will show no others. You may proceed.

JIM KAISER: Thank you, Mr. Chairman.

DEBBIE DOLLY

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Dolly, if you could state your name for the Board, who you're employed by and in what capacity?

A. Debbie Dolly with Daugherty Petroleum, Inc. as the land manager.

Q. And you've previously...just a minute ago, stated your qualifications to testify, correct?

A. Correct.

Q. And do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. Are you familiar with the application Daugherty filed seeking to establish a unit and pool any unleased interest for well number 1773, which was dated

August the 18th, 2006?

A. Yes.

Q. And does Daugherty own drilling rights in the unit involved here?

A. Yes.

Q. Now, prior to the filing of the application, were efforts made to contact each of the interest owners in an attempt made to work out a voluntary lease agreement?

A. Yes, there was.

Q. Okay. At this time, what is the interest that Daugherty has under lease within the gas estate?

A. 80.8944%.

Q. Okay. And are all the unleased parties set out in Exhibit B-3 to the application?

A. Yes.

Q. So what is the percentage within the unit that remains unleased?

A. 19.1056.

Q. Okay. And we do not have any unknown interest owners within this unit, is that correct?

A. No.

Q. Are all the addresses set out in Exhibit B to the application the last known addresses for the

respondents?

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest as listed at Exhibit B-3?

A. Yes.

Q. Are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. A five dollar bonus for a five year lease term with a one-eighth royalty to the mineral owner.

Q. And in your opinion, do the terms you've just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, as to the statutory election options afforded any unleased parties, which I guess would be Mr. Browning, the Allender and Browning interest in this case, we would ask that the testimony previously taken in item 06-0321-1608 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept that, those election options?

A. Uh-huh.

BENNY WAMPLER: Yes?

A. (Witness indicates in the affirmative.)

JIM KAISER: Yes...say yes.

A. Yes. I'm sorry.

Q. And we do not need to...the Board does not need to establish an escrow account for this unit, is that correct?

A. Correct.

Q. And who should be named operator under any force pooling order?

A. Daugherty Petroleum, Inc.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Call your next witness.

BRENT CAMP

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Camp, state your name for the Board,

who you're employed by and in what capacity?

A. I'm Brent Camp, Daugherty Petroleum. I'm the Vice President in Geology.

Q. And, I think, we went through your qualifications last month at the hearing, correct?

A. Correct.

Q. And what the...what's the total depth of this proposed well?

A. 5750.

Q. And the estimated reserves for the unit?

A. 300 million cubic feet.

Q. Are you familiar with the well costs?

A. Yes, I am.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. Yes, it has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes, it does.

Q. Could you state for the Board at this time both the dry hole costs and complete well costs?

A. The dry hole costs is \$211,891.25. The completed well costs of \$392,466.25.

Q. Do these costs anticipate a multiple

completion?

A. Yes, they do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes, it does.

Q. In your professional opinion, would the granting of this application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes, it would.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

(Mr. Wampler confers with Mr. Wilson.)

BENNY WAMPLER: I just asked Mr. Wilson to confirm those. It wasn't in our packet. There is a difference in the...difference in the...in your application and...would you restate what the estimated production would be?

BRENT CAMP: 300 million.

BENNY WAMPLER: And your application says 325.

JIM KAISER: I've got 325. I'm sorry.

(Mr. Kaiser and Mr. Camp confer.)

JIM KAISER: It has changed.

BENNY WAMPLER: So, which one is correct?

BRENT CAMP: 300 million.

BENNY WAMPLER: Okay. So, we'll need the revise the application that you filed. Do you have anything further of this witness?

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Any questions of either of these witness from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Browning, do you have any questions or comments?

ED BROWNING: No.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: I move to approve, Mr. Chairman.

BILL HARRIS: Second.

BENNY WAMPLER: Motion to approve and a second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you. Next is a petition from Donald Ratliff, deceased, and Anna

Pearl Ratliff, Bill Ratliff and Geneva Ratliff, Ira Gordon Ratliff, Connie Sue Ratliff, Diane L. Graham, Jerry Raines, Phyllis Raines, Kyle Robinson, Dewey Rowe and Earl Whited, a request from the Board to make a determination as to formula used by CNX Gas Company, LLC for calculation of post production costs deducted from royalties and paid to the applicants under Board orders pooling drilling units in Buchanan County, Virginia. This is docket number VGOB-06-0620-1652. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

KYLE P. ROBINSON: I'm kind of left out in a hole. I don't know. My attorney didn't show. Did he call in or anything?

BENNY WAMPLER: Yeah. We are not allow...able to allow you to ask questions or do anything, you know, as your attorney should be here. We will...I'll do this, we'll go until...we can do the other cases, as we've done with other people before and recall this at that time. But when we finish, we'll...you know, it will either...do you understand what I'm saying? In other words, we'll just skip this for now if he's not here.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Do you have something?

BOB WILSON: Yes. Mr. Glubiack---. Is this who

you're referring to?

KYLE P. ROBINSON: Yeah.

BOB WILSON: ---will not be here today. I got an email from Mr. Glubiack yesterday afternoon and I'll pass out a copy of the attachment that he sent along relative to today's hearing. In a nutshell, Mr. Glubiack had requested, I think, advanced information from CNX and was unable to get that. He explains in this letter that he thinks he was not worth his clients' time for him to come here without having seen anything in advance to know exactly what he's dealing with here. But I'll pass this out to the Board.

SHARON PIGEON: Did you know that?

KYLE P. ROBINSON: No.

MARK SWARTZ: We didn't know either.

SHARON PIGEON: Well---.

MARK SWARTZ: Well, you know.

SHARON PIGEON: ---I have to see because this was his attorney.

KYLE P. ROBINSON: Yeah. I just---.

MARK SWARTZ: It would have been nice if he had called you.

BENNY WAMPLER: Give Mr. Robinson a copy, please. Go ahead and give Mark one of them.

(Mr. Robinson, Mr. Swartz and Board members review

the email.)

BENNY WAMPLER: My reading of this is this withdrawn. Is that your reading? He says he'll ask for a hearing at such time as he has the information to come forward.

BOB WILSON: Mr. Chairman, I think what he actually had in mind here was, I believe, that the way the action was taken when it was carried forward prior to back in June, I believe it was, that the company was supposed to report this information to the Board and he...he's interested in, of course, obtaining that information. If that information contains anything that he wants to go forward on, then he will refile another action before the Board. But I don't think that he's withdrawing this one.

BENNY WAMPLER: Okay.

SHARON PIGEON: Well, I think if they provide information that that's the end of this one. He would need to file a second action to proceed with that information.

BOB WILSON: I agree.

BENNY WAMPLER: That's what I was---.

BOB WILSON: Yes. If the information is forthcoming today, this particular docket is closed.

SHARON PIGEON: Right. This will still be on the docket for receiving that information.

BENNY WAMPLER: Yes.

MARK SWARTZ: Should I just give you a spreadsheet then? Is that what you're saying?

BENNY WAMPLER: Well, the information that was requested.

MARK SWARTZ: Right. I mean, I...I guess, that's---.

BENNY WAMPLER: And you may put on whatever---.

BOB WILSON: I would think we would want it on the record since the Board...yeah.

MARK SWARTZ: No, but...yeah, I mean, it's just---.

SHARON PIGEON: We want your witness to

MARK SWARTZ: To at least say---.

BENNY WAMPLER: Provide the information. But then as far as what the Board had requested would be, you know, satisfied or not based on what you provide.

MARK SWARTZ: Okay.

BENNY WAMPLER: Let me go ahead and have you all state your name for the record.

MARK SWARTZ: Mark Swartz. Claude, you need to state your name.

CLAUDE MORGAN: Claude Morgan.

MARK SWARTZ: Do you want to swear him?

(Claude Morgan is duly sworn.)

BENNY WAMPLER: Mr. Robinson, if you'll just state your name for the record, that you were here. I'm not going to, you know---.

KYLE P. ROBINSON: Kyle Robinson.

BENNY WAMPLER: ---call on you or anything, just that you were present. Did you give Mr. Robinson a copy of this?

MARK SWARTZ: Yes.

BENNY WAMPLER: Thank you. Mr. Robinson, while we're on the record, I do just want to ask you, you stated earlier that you did not know that your attorney was not going to be here.

KYLE P. ROBINSON: I was gone yesterday. My wife had to be at the hospital. So, he could have called.

BENNY WAMPLER: Okay. All right.

KYLE P. ROBINSON: I have no way...I have no way---.

BENNY WAMPLER: Okay. That's fine.

KYLE P. ROBINSON: Let me ask you something else, could I present something to the Board?

BENNY WAMPLER: No, sir.

KYLE P. ROBINSON: Okay.

BENNY WAMPLER: You're represented by an attorney.

We can't---.

KYLE P. ROBINSON: Okay. That's not---.

BENNY WAMPLER: Ms. Pigeon will be happy to tell you the legal part of that. But we can't since you're represented by an attorney. We're not...we wouldn't be protecting your interest if we were to do that.

KYLE P. ROBINSON: Let me ask you one more question. Can I ask you another question?

BENNY WAMPLER: Yes, sir, you may.

KYLE P. ROBINSON: Okay. What rights do they have to deduct this transportation fee period?

BENNY WAMPLER: We're not going to get into that discussion because that---.

KYLE P. ROBINSON: Okay.

BENNY WAMPLER: ---will be something subsequent to another hearing, okay?

KYLE P. ROBINSON: Okay. I'm all right.

BENNY WAMPLER: Okay. Mr. Swartz.

CLAUDE MORGAN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Claude, could you just state your name again, please?

A. Claude Morgan.

Q. Who do you work for?

A. CNX Gas Company.

Q. And what's your title with them?

A. Vice President of operations.

Q. And how long have you been involved in the gas project in Southwest Virginia for CNX Gas or their predecessors?

A. Since 1992.

Q. Are you basically, overall in charge of this project in Virginia?

A. Yes, I am.

Q. Okay. Did I contact you after a Board hearing, I think it was in June, and asked you to share some information with the Board so that we could show them the formula or the mathematics that are used to calculate deductions?

A. Yes, you did.

Q. And have you prepared a spreadsheet that illustrates the formula, how it's used and gives the Board... it looks like about four and a half or five years of cost information?

A. I've prepared this spreadsheet which shows the five years of cost information. What is showing is what if we were charging our true costs we would be we think allowed to deduct. It does not reflect what our deductions have been. Our deductions have been something less than this.

Q. Okay. With regard to O-2, O-3, O-4 and O-5, are those full calendar years?

A. Yes, they are.

Q. And when you look at the 2006 column, the numbers are, obviously, smaller. Is this some year-to-date or year to some partial year?

A. That is...that is six months.

Q. Six months, so through the end of June?

A. Yes.

Q. Okay. If you could walk through this spreadsheet with the Board, with the idea in mind that the end...at the end of the explanation, the hope would be that they understand the costs that go into the calculation and then what is divided by what to give a per unit cost?

A. I'll do that. What I've got here are the costs for the entire...you know, over the entire operation looking at all of the wells...all the wells involved. The first line item on here that speaks to the total capital.

Now, this is the total capital that was spent on gathering and processing facilities during that year at this operation. The total number that you see out at the end is the total capital that has been spent over the life of the project on that operation.

Q. And when you say, "that operation", what are we talking about?

A. I'm talking CNX Gas Company, which is a combination of the former Buchanan Production Company and the former Pocahontas Gas Partnership.

BENNY WAMPLER: Is that all of the wells in Virginia?

A. That is all of the wells in Virginia. The second line is an amortization of that capital over a twenty year period, simply taking the capital in each year dividing it by twenty and spreading it out over the twenty years. The third line is the book value of that capital after subtracting the amortization for each year. The fourth line is the cost of capital on here at 6%. Since we're not charging the capital in the year that it was spent, we're spreading it out over six years and 6% is the cost of capital for spreading it out over the twenty years. That 6% is taken on the book value at the end of the previous year.

BENNY WAMPLER: You're say you're spreading it out

over twenty years?

A. It's spread out over twenty years. Moving on down, the items under "Operating Expenses". These are the actual cash operating expenses incurred by CNX Gas in the operation of the field. The first item on here is gob collection and that is the cost to install the gathering for the collection of the gob areas, the pipelines and so on for the collection of the gob. Compressor fuel, that is the cost of the fuel that is burned in the compressors. We treat this fuel as a sale. We pay a royalty on the fuel, but we charge the fuel as a cost of the...of the compression. The labor, that is the actual labor charge for all of the people involved within the gathering operations in our Virginia operations. Supplies and services represent all of the supplies and services. That includes compressor maintenance, all compressor rentals, if any, the materials, drip maintenance, the collection of water out of the gas lines, any thing involved with the operation of the gathering system. Electrical power, that's our power bill for the operation of the approximately 100,000 horsepower of compression that we have in the field. The admin expense, this is an allocation of the management, the purchasing, accounting, engineering and so on that can't be charged directly to it. It represents a 50% allocation. However,

if you actually looked at the personnel and the expenses of the gathering versus the total, the personnel is in excess of 50%. The expenses of the gathering versus the total operating expenses is 62%, but we're using the 50% for the allocation of the admin. Then a sum of all of those into the total operating expense. Then a total expense, which sums up the amortization, the cost of capital and the operating expense.

The next line item shows the total production for the year or in 2006 for the six months. So, the rate that could be charged, we think, for this portion of the production was simply dividing the total expense by the total production. The numbers across these here would relate to what we would show a deduct on of .97 cents. We're actually charging deduct for that production of .97 cents. Some production, that's all it sees. For instance, if it is...if it is compressor fuel, it only sees the .97 cents. If it is fuel that we have sold to Consol for burning in the dryer, it only sees the .97 cents. If it is fuel that is burned in the pecker plant that's located in the field, you only see the .97 cents. Gas that is moved out of the field onto the Columbia Transmission System goes through our Cardinal States Gathering System. Gas that goes to that sees additional charges. That is...well, I skipped

a little bit down. That's down next to the bottom line. The .38 cent fee, Cardinal States Gathering Company is a company that was set up to gather the gas out of this Buchanan County. It has two primary main lines out of Buchanan County. Excuse me, I've gotten a bug over the weekend.

(Mr. Morgan coughs. Mr. Swartz gets him a glass of water.)

A. Cardinal States constructed the initial sixteen inch fifty mile line out of Buchanan County to tie into the Columbia Transmission System. At the end of that, installed treatment facilities and compression to treat the gas and then compress it on into the Columbia Transmission. After that line became full, they constructed the second line, which is a thirty by twenty inch line out of Buchanan County also connecting into the Columbia Transmission System. The .38 cents is a fee that's standard and charged by Cardinal States for transmission through that...through that line and it's a fee that was determined very similar to a FERC fee or a gathering services fee, which takes the capital expedite and a rit of return to determine a fee for that...for that amount of gas to be moved. That's the same fee that's charged to this gas is also charged to third parties.

Two other items in there, in 2002 there was a relocation of a piece of the Columbia line. Columbia was going to have several shutdowns during the year due to some longwall mining occurring under their main line. CNX Gas partnered with Equitable Production and CNR to construct a reroute around that area so that there was no shutdown of the flow of the gas during that time period. Our portion of that cost was 1.5 million dollars.

A new item that came...that has come along in 2004 and looks like it's with us to stay is that we're now having to purchase firm trans...excuse me...is that we're now having to purchase firm transportation for transmission of our gas on the Columbia system. That started in 2004 and has increased as time goes on. During 2006, if you have firm transportation on the Columbia system, you didn't move gas. This represents the price that we're having to pay to move that gas on through the system. This is something that traditionally in many years past was born by purchasers, your LDCs and so on. They no longer do it. The burden is now upon the producer. If they want to move their gas, they've got to purchase the firm transportation to move it.

BENNY WAMPLER: Is that a rate by some amount by cubic feet or---?

A. It is...it is a rate. What I've got

showing on here are rates per million BTU because that's the way our accounting system is set up.

BENNY WAMPLER: Per million...okay.

A. So, all of this is per million BTU. I can tell you that there were times during 2006 that the transportation...the firm transportation on the Columbia was at a premium that people were paying as high as \$2 for firm transportation rights on that...on that system. It's in the foreseeable future.

In any event, what we have deducted for all of this over the years has been .97 cents for the portion up above where I show it as collection rate. We have deducted .97 cents in place of the numbers that are showing there and we have deducted the Cardinal States .38 cents for a total deduction on the TECO sales of a \$1.35 for the post production costs.

We think as the orders are written and as the costs are applicable we could have easily have deducted the numbers showing that the below...below, which range anywhere from \$1.38 to \$1.89.

Q. There's one other deduction that shows up on the royalty statements with regard to severance taxes. You might...you might talk about that.

A. There is...there is a deduction for the

severance tax, which is a tax on the sale of the gas and that is a 3%...a 3% tax that is also charged to the production.

SHARON PIGEON: What was that number again?

CLAUDE MORGAN: That is 3%.

MARK SWARTZ: It's a total of 3%. It's actually two components.

CLAUDE MORGAN: It's on the sales price.

MARK SWARTZ: Right.

BENNY WAMPLER: Where does that tax go?

CLAUDE MORGAN: That goes to the counties for the road improvements and, I think, water systems and so on.

MARK SWARTZ: You know, although, all you asked for, I think, was the formula, I felt like we needed to give you at least some history and some examples of the actual costs and where we were. So, I think we may have given you a little more than a formula because the formula is pretty simple. But I don't have anything further of, you know, Claude. Obviously, if the Board has any questions, he's here.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, I just have one.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Mr. Morgan, hi. This firm transportation, is that F-I-R-M?

CLAUDE MORGAN: F-I-R-M.

BILL HARRIS: And now which the nature of that...this is...Columbia just decided they wanted to charge---?

CLAUDE MORGAN: It's a charge that's allowed under FERC. But there's two types of transportation---.

BILL HARRIS: Under---?

CLAUDE MORGAN: Under the Federal---.

BENNY WAMPLER: Energy Regulatory Commission.

CLAUDE MORGAN: ---Energy Regulatory Commission.

BILL HARRIS: Oh, okay. I'm sorry.

CLAUDE MORGAN: They set their rates. They set a rate that is firm transportation. The ideal being that the majority of the gas on the system will be firm transportation.

BILL HARRIS: Now, I don't---.

MARK SWARTZ: They have to take it.

CLAUDE MORGAN: You pay it whether you move the gas or not. And---.

BILL HARRIS: I guess I'm puzzled by the word "firm". Does that mean---?

CLAUDE MORGAN: That mean you essentially own that

capacity on the system and if they flow gas, they will flow your gas.

BILL HARRIS: Okay.

CLAUDE MORGAN: Okay?

BILL HARRIS: Yes.

CLAUDE MORGAN: Or if there is an allocation, you will get your percentage of that allocated gas flow.

BENNY WAMPLER: An allocation of the amount of gas that they will allow on the system.

CLAUDE MORGAN: Right. Right.

BILL HARRIS: I'm just trying to help him understand what---.

CLAUDE MORGAN: They flow under two classes. They have an interruptible and they have a firm. For years, a lot of the people were flowing under the interruptible which is a much lessor charge, which just has a...it's a essentially a commodity charge on a small charge because the lines weren't full and people didn't feel the need to purchase the firm transportation. As the lines have filled up, the producers have had to buy the firm transportation in order to move their gas through there because other lines---.

BILL HARRIS: Is this like a guarantee that it will move?

CLAUDE MORGAN: Yes, sir.

BILL HARRIS: I guess I'm just puzzled by the use of the term and maybe it's just my ignorance of how the gas transported once it's taken out of the ground.

CLAUDE MORGAN: It is a guaranteed...it is a guarantee flow of your gas.

BILL HARRIS: Okay.

CLAUDE MORGAN: But without that guarantee over the past year and a half or two, gas didn't flow. There has been many, many wells shut-in in the Appalachian area because they didn't have firm transportation over this past...over this past year.

MARK SWARTZ: I mean, what's...what's happening in the market, and this has been true here for many, many years, there is not enough pipeline capacity out of this area.

BILL HARRIS: Oh...oh, okay.

MARK SWARTZ: So, there is production available than there is transportation facilities and the location of your wells sometimes...you know, there are lines, but you can't get to them. Let me ask him a couple of questions just to kind of get back to where, I think, you're coming from.

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SWARTZ:

Q. The Columbia line, who regulates that line, what government agency?

A. The Federal Energy Regulatory Commission.

Q. Okay. And, actually, for any charge that Columbia would want to make on its line, that would have to be a tariff or a charge that's approved by the FERC, correct?

A. That's true.

Q. So, that...this rate that you're reporting here, is that, in fact, a FERC rate that they're allowed to charge you?

A. It's a blend. We purchased a large part of it directly from Columbia, but some of it we had to purchase from other users who had purchased it but didn't need it, so we acquired their rights to it.

Q. Okay. What is the situation with regard to the availability of production and the availability of transportation, in general, in this area?

A. The Appalachian area has...essentially has more production than there is capacity to take it out. That's the reason there are several pipeline...that's the reason right now Duke Energy is building another pipeline

into us to give us another line.

BILL HARRIS: Well, that was one of my questions, yeah.

A. But that line too will have a firm transportation assigned to it because we had to assure them that they were going to get their money back before they would build the line. We had to buy all of that transportation and whether we use it or not, we have to pay for it. That's the risk you run with the firm transportation. Most producers didn't originally do it. When you buy the firm transportation, you've bought it and you've paid it and if you don't use it, you still pay for it.

BILL HARRIS: Yeah. It's kind of like insurance, I guess.

BENNY WAMPLER: Other questions from members of the Board?

BILL HARRIS: Thank you.

BENNY WAMPLER: Mr. Wilson, anything?

BOB WILSON: No, sir.

BENNY WAMPLER: All right, thank you. Will you provide or have you provided this to Mr. Glubiack?

MARK SWARTZ: I didn't get it until this morning. So---.

BENNY WAMPLER: Okay. Would you provide that to

him?

MARK SWARTZ: I will certainly be delighted to send him a copy.

KYLE P. ROBINSON: Thank you.

BENNY WAMPLER: Thank you, Mr. Robinson. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit M-17. This is docket number VGOB-06-0919-1713. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: If you...do you have any housekeeping on your items? We'll do that now if you do.

MARK SWARTZ: I think we've only got four left and, I think, we're square on those, aren't we?

LESLIE K. ARRINGTON: I think so.

BENNY WAMPLER: That's fine. The record will show no others. You may proceed.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name for us, again.

A. Yes. Leslie K. Arrington.

Q. I'll remind you that you're still under oath.

A. Yes.

Q. Do you have some spreadsheets that we haven't passed out yet?

A. Yes, we do.

Q. Okay.

(Anita Duty passes out the spreadsheet.)

Q. Okay, Les...I lost my train there, but I'm thinking you probably need to tell us your name one more time.

A. Leslie K. Arrington.

Q. Okay. I'm going to remind you that you're still under oath.

A. Yes.

MARK SWARTZ: Okay. Mr. Chairman, I'd like to incorporate Les' testimony from the first hearing that he testified in with regard to the applicant, the operator, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

Q. Les, what kind of unit is this?

A. It's an Oakwood I, 80 acres.

Q. Okay. And the well...the proposed well is located where?

A. It's within the drilling window.

Q. Okay. And what kind of a well is it?

A. It's a frac well.

Q. What's your cost estimate with regard to the well?

A. \$225,378.50 to a depth of 1,238 feet.

Q. I take it you don't have a permit yet.

A. No.

Q. Okay. What did you do to notify the folks that you've listed as respondents that there would be a hearing today?

A. We mailed by certified mail return receipt on August 18, 2006 and published in the Bluefield Daily Telegraph on September the 15th, 2006.

Q. Have you filed proofs of publication and your certificates with regard to mailing with Mr. Wilson?

A. Yes, we have.

Q. Okay. And when you published, what did you publish?

A. The notice of hearing and the location map.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. Tell the Board what you've been able to acquire in this unit and what you're seeking to pool.

A. We've acquired 97.8375% of the coal owner's claim to coalbed methane and 96.375% of the oil and gas owner's claim. We're seeking to pool 2.1625% of the coal owner's claim to coalbed methane and 3.625% of the oil and gas owner's claim to coalbed methane.

Q. You've got an address unknown issue in Tract 6, correct?

A. Correct, yes.

Q. That would require escrow for that reason?

A. Yes.

Q. And you have traditional conflicts, which are addressed in Exhibit E in Tracts 5, 6, 7, 8, 9B, 10, 11, 12, 15A, 15B, 15C and 16, is that correct?

A. Correct.

Q. And then you've got a title issue that needs to be resolved in Tract 15B, I believe.

A. That's correct.

Q. So, those are all of the reasons---

A. Yes.

Q. ---requiring escrow? Do you have an opinion as to whether or not drilling a frac well in the window of this 80 acre unit is a reasonable way to develop

or a reasonable plan to develop the coalbed methane under this unit?

A. Yes, it will.

Q. Okay. And if you combine the leasing and acquisition efforts that the applicant has been able to...the applicant has accomplished with a pooling order, is it your opinion that the correlative rights of all owners and claimants to the coalbed methane would be protected?

A. Yes, it would.

Q. Are there no split agreements here?

A. No.

MARK SWARTZ: I believe, that's all I have.

BENNY WAMPLER: Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: That's a busy Exhibit A. The well is at the top, right? Is that correct?

MARK SWARTZ: It's up here, Les.

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: And it's referred to as 17B?

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: Can you explain that? Is that just a number? I mean, is it significant because it---?

LESLIE K. ARRINGTON: I don't remember why---.

BENNY WAMPLER: What's the significance of 17 and 17B?

LESLIE K. ARRINGTON: I do not remember why we put a B on that. I think we had a well down in the southeastern corner of that originally.

BENNY WAMPLER: But that's what...as the application refers to a unit number, where at M-17, is that correct?

LESLIE K. ARRINGTON: Yes, sir, we are.

BENNY WAMPLER: Other questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Let me just ask a question about that. Plugged...what are these MPHs?

LESLIE K. ARRINGTON: That MPH was an original old VVH well for the VP 1 mine and it has been plugged.

BILL HARRIS: Okay. And is...well, what's involved in plugging? Could those not be used to---?

LESLIE K. ARRINGTON: No. You'd have to redrill it out and---.

BILL HARRIS: Okay.

LESLIE K. ARRINGTON: ---it's tougher to drill it.

BILL HARRIS: Okay. So, plugging is actually

filling it with concrete and---.

LESLIE K. ARRINGTON: It was filled with cement,
yes.

BILL HARRIS: Okay. Okay, thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: Motion to approve.

BILL HARRIS: Motion for approval.

BENNY WAMPLER: I have a motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying
yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a
petition from CNX Gas Company, LLC for pooling of coalbed
methane unit BG-98, docket number VGOB-06-0919-1714. We'd
ask the parties that wish to address the Board in this

matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

MARK SWARTZ: Now, Mr. Chairman, the next two items involve the same respondents. It might be just---.

BENNY WAMPLER: So, eleven and twelve?

MARK SWARTZ: Yeah. We might just put ten, eleven and twelve together, if that's all right with you all.

BENNY WAMPLER: Okay. All right. We'll go ahead and call unit E-18 at docket number VGOB-01-1120-0979-01 and VGOB-01-1120-0980-01. We'd ask the parties that wish to address the Board in these matters to come forward at this time.

MARK SWARTZ: Les, tells me I jumped the gun, but this will work.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us, again.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. Okay. I'm going to remind you that you're

still under oath.

A. Yes.

Q. Okay. We've got one Nora unit, which is the BG-98, correct?

A. Correct. It's in the Nora Field at 58.78 acres.

Q. Okay. And in that Nora unit, the well is actually outside the drilling window?

A. It is.

Q. Do you recall why that...why that is? Here is the map, Les.

A. Yes. That's an existing old bench there that we've got it on.

Q. Okay. With regard to the two other units, are they both Oakwood units, E-19 and E-18?

A. Yes, they are. They're both 80 acres.

Q. And in terms of the well location and those two units, where is the well located?

A. They're both within the drilling window.

Q. Okay. Are all three of these wells intended to be frac wells?

A. Yes, they are.

Q. Okay. Have you provided cost estimates for these wells?

A. Yes.

Q. Okay. Just take them in any order and tell us about that.

A. BG-98 is \$238,374.14 to a depth of 2,006 feet. E-18 is \$281,583.55 to a depth of 2,450 feet. E-19 is \$273,761.61 to a depth of 2,461.25 feet.

Q. It looks like you do not have a permit for BG-98.

A. Correct.

Q. But you have permits for E-18 and E-19 and what are those numbers?

A. E-18 is 7171 and E-19 is 7170.

Q. Okay. With regard to all of these units, what did you do to tell the respondents that we were going to have a hearing today?

A. Yes. All three of them were mailed on August 18, 2006. BG-98 was published in the Bluefield Daily Telegraph on September 14, 2006. E-18 was published September 14, 2006. E-19 was published in the Bluefield Daily Telegraph September 15, 2006.

Q. Have you provided or filed with Mr. Wilson proofs of publication and your certificates with regard to mailing?

A. Yes, we have.

Q. And when you published, what did you publish?

A. The notice of hearing and location map.

Q. Okay. Do you want to add anybody as a respondent in any of these...in any of these three applications?

A. No.

Q. Okay. Do you want to dismiss anybody?

A. No.

Q. Okay. Starting with docket item number ten, would you tell us what you've acquired and what you're seeking to pool?

A. Yes. We've acquired 52.9261% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 47.0739% of the coal, oil and gas owner's claim to coalbed methane in BG-98. In E-18, we have leased 97.4416% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 2.5584% of the coal, oil and gas owner's claim to coalbed methane. In E-19, we have leased 77.5042% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 22.4958% of the coal, oil and gas owner's claim to coalbed methane.

Q. Okay. There's no escrow requirement in either E-18 or E-19, is that correct?

A. That's correct.

Q. Okay. Let's look at escrow in BG-98 on the other hand.

A. Yes.

Q. What escrow requirements are there in that unit?

A. There is a title conflict in Tract 1D and then there's a standard coal and oil and gas conflict in 1A, 1B, 1D and 2. We have royalty splits in BG-19 for Tracts 1C, 1E, 1F, 1G and 1H.

Q. Okay. And are you requesting that if the Board approves this application that it allows the...that it would allow the operator to pay the people who have signed royalty split agreements consistent with their agreements rather than escrowing their funds?

A. Yes, we would.

Q. Okay. Is it your testimony that drilling one frac well in the drilling window of each of these three units is a reasonable way to produce the coalbed methane from these units?

A. In BG-98, the well is not within the window.

Q. Okay.

A. So...but, yes, it will be.

Q. With that...with that qualification?

A. Yes.

Q. Is it your view that if you take the leasing and acquisition efforts that the operator has succeeded in accomplishing and combine that with a pooling order in each of these cases that the correlative rights of all owners or claimants would be protected?

A. Yes, it is.

MARK SWARTZ: Okay. Mr. Chairman, I'd ask that you incorporate Mr. Arrington's prior testimony with regard to the applicant and operator, with regard to standard lease terms and with regard to his employment?

BENNY WAMPLER: That will be incorporated in all three of these.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: On...for unit E-18 on Exhibit B-3, the list of the unleased owners and claimants, they're actually showing Tract 1, 30.01 acres, under oil and gas fee ownership in addition to Tract 3 for the coal and oil and

gas fee ownership. But I don't believe that was---.

LESLIE K. ARRINGTON: We had a revised Exhibit B-3. I'm sorry.

BENNY WAMPLER: That's for E-18?

LESLIE K. ARRINGTON: Yes.

BOB WILSON: Yes, sir. I thought somebody was ignoring my phone calls.

(Laughs.)

BENNY WAMPLER: Do you want to enter some testimony on this or are a clarification?

MARK SWARTZ: Other than it's a revised Exhibit that addresses Mr. Wilson's concern.

BENNY WAMPLER: All right. Any other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: We'll wait and see if that addresses Mr. Wilson's concerns.

BOB WILSON: All is well.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

BENNY WAMPLER: Motion to approve. Is there a second?

BILL HARRIS: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

MARK SWARTZ: Mr. Scott, was kind of enough to share with me that his client is going to withdraw item thirty.

BENNY WAMPLER: Come up with you will, please, and just state your name and tell us what we're doing.

TIM SCOTT: Tim Scott for EOG Resources. Item number thirty on the docket is a petition from an informal appeal or an informal fact-finding hearing. That matter is being withdrawn.

BENNY WAMPLER: All right. Thank you very much. We're going to take a ten minute recess. When we come back, we'll be---.

TIM SCOTT: Mr. Chairman, before you leave, the next item, number thirteen, I'm asking that that be continued. So don't leave me sitting here, please.

BENNY WAMPLER: All right. We won't do that. We will continue number thirteen.

TIM SCOTT: Thank you.

BENNY WAMPLER: Thank you. We're also going to...just for the ones of you...some attorneys in the room, if you miss...if you leave, we're going to have a discussion at the end of today's hearing about the November hearing date because that's two days before Thanksgiving and lot of travel and family planning, et cetera, during that time. So, you know, I don't know what date, but it's likely going to be the week before, but we'll have a discussion here about that just so you know.

MARK SWARTZ: Thanks for the warning.

(Break.)

BENNY WAMPLER: Okay. We'll go ahead and come back to order. Next it is a petition from Fred N. Kiser, Roy Curtis and Virginia Kiser for disbursement of funds from escrow of authorization for direct payment of royalties on Tract 3, unit VC-2966. This is docket number VGOB-94-0816-0467-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Jim Kaiser on behalf of Equitable Production Company. I've not done one of these before. I'm a rookie at these, so bear with me. I think we've got all of our paperwork into you.

BENNY WAMPLER: All right. The record will show

no others. You may proceed.

JIM KAISER: We have our letter from Pine Mountain and our Exhibit E that we filed that you all have asked us to provide, which lists, I think, all of the folks who we're not pulling out of escrow who remain in escrow and then...then our exhibit showing our figures that, in this case, the Equitable accounting in the bank figures jive perfectly. I guess, we'd ask that the Board review that and issue an order disbursing that money and have that order state that all future royalty payments to those parties will be---.

BENNY WAMPLER: Do you have the accounting? We don't have it.

JIM KAISER: Oh, you don't.

BOB WILSON: I have this. Do you not have that on yours?

BENNY WAMPLER: I can't see it. No, we don't have it.

DONNIE RATLIFF: No, we do not.

BENNY WAMPLER: No, we do not have that.

(Board members review Mr. Wilson's copy.)

BOB WILSON: While this is being reviewed, Mr. Chairman, I might point out that this actually, I think, the first application that we've had under the new law whereby

recipients or potential receipts have notified the company that they have reached an agreement. According to the new statute...statutory requirements, the company is required to file an application on behalf of the recipients and include the accounting and is required to notify all folks who were involved in that particular tract. We assume that that has been done. I haven't looked at that. I think I have that in my file here. When---

JIM KAISER: You don't have an affidavit of mailing?

BOB WILSON: Yes, I do.

JIM KAISER: Oh, okay.

BOB WILSON: When the...all of the items that are required by the Board to create the order, including the transcript of this hearing, is in office, then we have thirty days to get that money disbursed.

BENNY WAMPLER: Right. Would you go ahead with any testimony and go over those numbers, please?

JIM KAISER: Sure. I guess, do I need to be sworn in?

(Jim Kaiser is duly sworn.)

JIM KAISER: Okay. This is Tract 3 in this unit. Our accounting shows...it breaks out the owners' net interest, total net interest, total amount in escrow, which

is \$42,370.78. The figures don't jive exactly. Then there's a check that was issued in August that's not registered at the bank that you see on the bottom. The bank's figures are a little bit higher. So, obviously, we're wanting to go with those. I mean, the money is there. It's their money. So, we would ask that the Curtis' at the this time...or the Kisers, Roy Curtis and Virginia Kiser and Fred N. Kiser each receive a disbursement in the amount of \$1,338.12.

BENNY WAMPLER: And, hereafter, payment directly to them?

JIM KAISER: And, hereafter, the payment would be directly...the royalty payments would come directly from the operator.

BOB WILSON: Yes, sir. But the actual disbursement would be based on their percentage of interest in the escrow account and not on these numbers that you've provided here because you've already said that at least one other check has gone into the bank since these numbers were done, if I'm understanding your note correctly down here.

JIM KAISER: Right.

BOB WILSON: So, basically---.

BENNY WAMPLER: We'll disburse everything that's in escrow due and payable to them---.

BOB WILSON: Exactly.

BENNY WAMPLER: ---based on their percentage of
escrow.

JIM KAISER: In accordance with their interest.

BOB WILSON: Yes, yes. You---.

JIM KAISER: According to their percentage
interest.

BOB WILSON: Excuse me. You made the statement
that the bank numbers are higher than Equitable numbers.

JIM KAISER: Yeah...no, I'm sorry, they're lower.
Well, maybe that's because that other check is not in there.

BOB WILSON: I don't...I don't---.

JIM KAISER: I'm talking about the total amount
and then their share, if you'll look at those two
columns...the last two columns. Equitable is showing
42377.78 and the bank is showing \$43,244.29. Are you with
me?

BOB WILSON: Yes, yes, yes. This accounting was
provided to the individuals who are subject---?

JIM KAISER: Uh-huh. Yeah, we haven't heard from
them.

SHARON PIGEON: You need to answer---.

JIM KAISER: Huh?

SHARON PIGEON: You need to answer orally.

JIM KAISER: Yes, it was provided with the notice of the application...with the application and notice. We haven't heard from either one of them.

BENNY WAMPLER: Was there a motion to...did you have anything further?

JIM KAISER: We'd ask that the Board issue an order disbursing to these two claimants the amount, in accordance with their percentage ownership within the unit, of the total escrowed in the bank for this particular well.

DONNIE RATLIFF: So moved, Mr. Chairman.

BILL HARRIS: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

BOB WILSON: Mr. Chairman, one other note on this, in addition to the transcript, we will need to get tract identification numbers since this is in Dickenson County and they require those with the filings of the orders before we can file it.

BENNY WAMPLER: Yeah, that's true.

(Mr. Wampler confers with Ms. Pigeon.)

BENNY WAMPLER: Next it is a petition from Charles B. Counts, Jr. and Katherine Kirsch Counts, Connie Counts Godfrey, Cheri Lyn Simonenko and Nicole Lyn Simonenko-Connelly for disbursement of funds from escrow and authorization for direct payment of royalties n Tract 3, unit VC-2975, docket number VGOB-0715-0593-02. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

BOB WILSON: Do you have the accounting?

BENNY WAMPLER: Oh, I don't know. I thought we did on this one.

DONNIE RATLIFF: I don't.

BENNY WAMPLER: No, we don't.

BOB WILSON: Okay.

JIM KAISER: Again, Jim Kaiser on behalf of the applicants for Equitable Production Company. Here we have an agreement that has been reached between the...between Pine Mountain and the owners in Tract 3 of this unit. Is it Tract 3?

DON HALL: Yes. Yeah.

JIM KAISER: We do have a revised Exhibit E, in accordance with the statute that we're asked to provide you.

Our original application listed a Lori Rae Sufferage. She has passed away. Her interest has been devised to---.

DON HALL: Nicole.

JIM KAISER: ---Nicole...Nicole Lyn Simonenko-Connelly.

DON HALL: That's what the new exhibit reflects.

JIM KAISER: Right. And if you...yeah, and the new exhibit reflects that. I think we have a typo down there. I think it's supposed to say "coal estate only". This was done at about 6:30 last night after I was already gone. I apologize that I didn't---.

BENNY WAMPLER: It's supposed to say what?

JIM KAISER: ---see that. I assume that's supposed to say "coal estate only" where you see the Pine Mountain interest in Tract 5. It says, "L estate only". But "COA" didn't get on there. I'll send you a revised one there.

BENNY WAMPLER: Okay.

JIM KAISER: And then when you look at the accounting that was provided, in this particular case it squares up exactly if you add the \$185.92 that was the August check that's not registered at the bank. That's the...well, no, maybe it's not. Again, what we're going to ask the Board to do is issue an order disbursing to the

claimants that we're here on the behalf of, their percentage share of their interest within the unit of the total amount that was held in escrow in the bank for this well.

BENNY WAMPLER: Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything, Mr. Wilson?

BOB WILSON: Again, we'll need the tract identification numbers for Dickenson County before we can file this...for the Exhibit E.

BENNY WAMPLER: Is there a motion for disbursement?

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: Motion. Is there a second?

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Mae Smith Rowlett, Jack and Irene Fields for

disbursement of funds from escrow of royalties on Tract 7 and 9, unit VC-503042. This is docket number VGOB-04-1214-1373-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser on behalf of the Rowletts and Ms. Fields. A couple of changes here, it should actually say "Tracts 2 and 7" instead of 7 and 9.

BENNY WAMPLER: 2 and 7?

JIM KAISER: Yes, sir, on the application. Mr. Fields is deceased. So, it would be just Irene Fields. Again, We would ask that...we've provided an Exhibit E, which lists the people that are still subject to escrow, then on this one our accounting is...does match up. Doesn't it?

SHARON PIGEON: Not according to this.

JIM KAISER: No. Again, we'd ask that the Board issue an order paying to Irene Fields and Mae Smith Rowlett their percentage interest in Tracts 2 and 7 of the total percentage that's escrowed...held in escrow for this particular well.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: Motion. Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

DON HALL: Need tax ID again?

JIM KAISER: Yeah, we need the tax ID number again, don't we?

BOB WILSON: Yes.

BENNY WAMPLER: You have approval. Next is a petition from Delmar H. Mayes and Mary C. Mayes for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 10, unit VC-702942. This is docket number VGOB-94-0621-0455-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Jim Kaiser on behalf of the Mayes and on behalf of Equitable.

DONALD R. JOHNSON: Donald R. Johnson, attorney on behalf of Standard Banner Coal Corporation.

BENNY WAMPLER: The record will show no others.

You may proceed, Mr. Kaiser.

JIM KAISER: This is...involves a 50/50 split on Tract 10 within the unit. We would ask that both Standard Banner and Delmar and Mary Mayes that the Board issue an order disbursing their percentage share within Tract 10 and of Tract 10 that is represented by the total amount of escrow for this well that is contained in the Wachovia Bank escrow account and that going forward that royalties be paid directly to the parties.

BENNY WAMPLER: Mr. Johnson.

DONALD R. JOHNSON: Standard Banner joins in Mr. Kaiser's request and ask that the Board disburse the funds and future royalties be paid directly to Standard Banner and to the Mayes.

BENNY WAMPLER: Thank you. Is there a motion?

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: Motion to approve. Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

DON HALL: Do you need the tax ID number?

JIM KAISER: Yeah.

BOB WILSON: Once more, we need the tract ID numbers on this.

JIM KAISER: I guess, we're going to be having more and more of those in the future.

BENNY WAMPLER: Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536087. This is docket number VGOB-06-0919-1716. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Jim Kaiser and Don Hall, again, on behalf of Equitable Production Company. We've got a corrected plat and a new set of exhibits to hand out before we start.

(Mr. Hall passes out exhibits.)

BENNY WAMPLER: The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, state your name for the Board, who you're employed by and in what capacity?

A. My name is Don Hall. I'm employed by Equitable Production Company as District Landman.

Q. Okay. Before we get into our testimony, do you want to explain the corrections to the plat and the revised exhibits for the Board.

A. In Tract 3, initially in the application, the Board listed Nigel Counts as the owner when, in effect, his mother Madeline is still the owner. She had...she had conveyed to her son, Nigel, it was our understanding that had conveyed the oil and gas too, but she didn't. So, we're... she's leased and we've had them leased a long time. But we just wanted to correct with the correct name in there. It's also reflected on the plat, as well as the exhibit in Tract 3. The original stuff had Nigel Counts. We've corrected the---.

Q. So, we've dismissed Nigel and added Madeline?

A. Right.

Q. All right. Also, I think we've...I've got the wrong depth in my application. I've got 2421 and actually, I think, it should be 2548. Is that correct, Don?

A. That's correct, yes.

Q. We'll get to that here in a minute, I guess.

A. Yeah.

Q. I apologize for that. So, Don, do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. Are you familiar with the application we filed seeking to pool any unleased interest for well VC-536087, dated August the 18th, 2006?

A. Yes.

Q. Does Equitable own drilling rights in the area here...in the unit here?

A. They do.

Q. And prior to the filing of the application, were efforts made to contact each of the interest owners and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. And what's the interest of Equitable that's under lease within the gas estate?

A. We have 99.83% of the gas leased in the... the estate leased in gas and coal.

Q. Gas and coal. So, we have...the only

percentage of either the gas estate or the coal estate that remains unleased is 0.17%?

A. That's correct.

Q. And that's the Dickenson County, Virginia School Board?

A. That's correct.

Q. Okay. And we don't have any unknown entities---?

A. No.

Q. ---owning an interest in the unit, is that correct?

A. That's correct.

Q. And are the addresses set out in the revised Exhibit B the last known addresses for the respondents?

A. They are.

Q. And are you requesting this Board to force pool all unleased interest listed at Exhibit...revised Exhibit B-3?

A. Yes.

Q. Now, are you familiar with the fair market value of drilling rights in the unit here?

A. Yes.

Q. Could you advise the Board as to what those

are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Now, Mr. Chairman, at this time, I'd ask that...with Don acquiesce, that we incorporate the testimony regarding the statutory election options afforded unleased parties and their time lines in which to make those and the ramifications thereof that was previously taken in docket number 06-0321-1608.

BENNY WAMPLER: Do you accept those?

DON HALL: Yes.

BENNY WAMPLER: They will be incorporated.

Q. Don, in this particular well, the Board needs to establish an escrow account to...for Tracts 3 and 4 in the unit, is that correct?

A. Yes, that's correct.

Q. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what's the total depth of the proposed well under the plan of development?

A. 2548 feet.

Q. Which is different from what was in the application of 2421. So, 2548 is the correct depth?

A. But that's...that's the correct depth on the---.

Q. AFE?

A. ---AFE.

Q. And what are the estimated reserved for the unit?

A. 350 million cubic feet.

Q. Are you familiar with the well costs for this well?

A. Yes.

Q. Has an AFE been prepared by engineering department knowledgeable in the preparation of AFEs and knowledgeable in regard to wells costs for this area?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole costs is \$131,680 and the completed well costs is \$317,755.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: You had in your...both in your original application and in your revised Exhibit B-3 six zeros after your...well, your total unleased you had .17---.

JIM KAISER: Okay.

BENNY WAMPLER: Okay. Do you got it?

JIM KAISER: Yeah.

BENNY WAMPLER: And then you've got .17.

DON HALL: Oh.

JIM KAISER: We'll correct that. Thank you.

BENNY WAMPLER: Any questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: I've got a question regarding the folks shown on Exhibit E. I know that we recently did a disbursement to Madeline Counts, who had reached an agreement with Pine Mountain on a tract of land, and we just approved a disbursement for the folks shown in Tract 4. Are these the same tracts and are these the group that's going to apply to these tracts? Should these folks be subjected to escrow or---?

DON HALL: The letters that we get from the coal companies is well to well basis and it's not tract to tract basis.

BENNY WAMPLER: That was a good question though.

DON HALL: I think it should be. But they only release it on a well to well basis.

JIM KAISER: Yeah. We don't have a letter for this well.

BOB WILSON: Yeah, now that you mention it, I realize that the Pine Mountain letters are specific to a unit actually.

JIM KAISER: I guess, there's a pretty good chance that we'll be getting one.

BENNY WAMPLER: Or you would think that if they made an agreement it would cover everything they're agreeing to, but who knows. Maybe it's---.

DON HALL: That's just the way they do it. I agree. I think they should do it on a...if it's a tract and there's five wells on it, it should be all of the wells. But they only do it on a well to well basis.

JIM KAISER: You could do it one time.

DON HALL: Yeah.

BENNY WAMPLER: You folks might want to---.

JIM KAISER: Talk to them about that.

BENNY WAMPLER: ---try to get that clarified for the future.

BOB WILSON: I was going to say, is there a way---
?

JIM KAISER: Phil was in here, but he's gone now.

BOB WILSON: Excuse me. Is there a way that the pooling could be approved, but there could be further explanation as to whether---?

BENNY WAMPLER: Subject to them having a discussion clarification, if that was intended.

BOB WILSON: Sure. As to whether escrow is

actually necessary in those?

JIM KAISER: Subject to not needing to escrow it?
That's fine with us.

(Mr. Wampler confers with Ms. Pigeon.)

DON HALL: But that's between those two parties.

BOB WILSON: Yeah.

JIM KAISER: Yeah, we don't really have any
control over that probably.

DON HALL: We just get to file the applications.

JIM KAISER: Yeah, we just get to file the
applications under that new statute.

BOB WILSON: Of course, my point is that we don't
need to establish accounts if we're going to come back in---
.

BENNY WAMPLER: Right.

BOB WILSON: ---a month and ask for a disbursement
on them.

BENNY WAMPLER: I think whenever we act on this,
that we can put a clarification that if they did intend to
be, and you folks can have that discussion with them, to
cover the...to have the split agreement affect these other
wells then we will---.

JIM KAISER: We can notify you by letter and then
you won't escrow?

BOB WILSON: I---.

JIM KAISER: See, I mean, we can't really assert the rights of these other parties.

BOB WILSON: Yeah, I understand that. I would not be adverse to making contact with Pine Mountain and seeing what their understanding of this agreement is and possibly could clarify such that in the future we wouldn't have this problem. I don't mind doing that if that's legal for the Board.

SHARON PIGEON: (Inaudible).

BOB WILSON: Yeah, I can do that.

JIM KAISER: Yeah, I don't want to do any---.

BENNY WAMPLER: Do you have anything further for this?

JIM KAISER: ---more of those than I have to, believe me.

BENNY WAMPLER: Do you have anything further on this one?

JIM KAISER: No. We'd ask that the application be approved with the revisions in the corrected plat and revised Exhibits.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: I move for approval.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next is a petition from Equitable Production Company for creation and pooling of conventional gas unit V-537301. This is docket number VGOB-06-0919-1717. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable Production Company. We had a question and I called Mr. Wilson on this as to whether or not you all got a plat with your packages. I think his answer was that you did. If not, we've got copies of them here.

BOB WILSON: The official copy, the signed copy, has a plat with it.

JIM KAISER: Okay.

BOB WILSON: I don't...I couldn't answer---.

JIM KAISER: Whether or not it made it into their packages.

BENNY WAMPLER: It didn't get in the Board's package.

JIM KAISER: It didn't? Well, we've got...here we'll pass these out then. I thought---.

(Don Hall passes out the exhibit.)

JIM KAISER: There's no changes to it. We just want to make sure you had a copy of it, correct?

DON HALL: Right.

BENNY WAMPLER: The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the application that we filed here seeking to pool any unleased interest in the unit for well V-537301?

A. Yes.

Q. And does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of the application,

did you attempt to obtain a voluntary lease with all of the respondents within the unit?

A. Yes.

Q. And what is the interest under lease to Equitable within unit?

A. We have 96.56% of the unit leased.

Q. So, that leaves 3.44% of the unit that's unleased?

A. That's correct.

Q. And that's represented by Tract 2, which is owned by the unknown heirs of Joseph Kiser?

A. That's correct.

Q. Now, did you make reasonable and diligent efforts and check sources in an attempt to identify and locate the unknown heirs of Joseph Kiser including primary sources such as deed records, probate records, assessors records, treasury records and secondary sources such as telephone directories, city directories, family and friends?

A. Yes.

Q. In your professional opinion, was due diligence exercised to locate each of the respondents named in Exhibit B?

A. Yes.

Q. And are the addresses set out in Exhibit B

the last known addresses for the respondents?

A. They are.

Q. Are you requesting this Board to force pool all unleased interest listed at B-3?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights in this unit?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, again, if Don is in agreement, we'd ask that the election...statutory election option testimony previously taken in 1608 earlier today be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you agree?

DON HALL: Yes.

BENNY WAMPLER: They will be incorporated.

Q. Mr. Hall, the Board does need to establish an escrow account in this case?

A. Yes.

Q. And that would be for the unknown Joseph Kiser Heirs interest in Tract 2?

A. That's correct.

Q. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what's the proposed depth for this well?

A. 6,608 feet.

Q. And the estimated reserves for the unit?

A. 200 million cubic feet.

Q. Now, has an AFE been reviewed, signed and submitted to the Board as Exhibit C to the application?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state for the Board both the well...the dry hole costs and completed well costs for this well?

A. The dry hole costs is \$241,676 and then the

completed well costs is \$459,592.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval of the application.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: I'll second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BENNY WAMPLER: You have approval. Mr. Ratliff abstains. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-535926, docket number VGOB-06-0919-1718. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall on behalf of Equitable Production Company. We do have some revised exhibits. We've got a name change in one of the owners in Tract 3. I believe that's all it is, isn't it, Don?

DON HALL: Yeah, that's all it is.

JIM KAISER: Somebody got married.

(Mr. Hall passes out revised exhibits.)

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities include the land involved in this well and in the area?

A. Yes.

Q. And you're familiar with the application we filed seeking to pool any unleased interest in the unit for well VC...well number VC-535926, which was dated August the 18th, 2006?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of the application, did you efforts to contact each of the respondents and work out a voluntary lease agreement?

A. Yes.

Q. And what is percentage of the unit... percentage of the gas estate in the unit that's under lease to Equitable?

A. We have 86.533406% of the gas estate

leased.

Q. And the percentage of the...that's under lease to Equitable within the coal estate?

A. 94.413406%.

Q. And are the unleased parties set out in revised Exhibit B-3?

A. They are.

Q. And so what percentage of the gas estate remains unleased?

A. 13.466594%.

Q. And what percentage of the coal estate remains unleased?

A. 5.586594%.

Q. Okay. And we don't have any unknown respondents in this unit, is that correct?

A. That's correct.

Q. Okay. Are the addresses set out in...the addresses and names set out in revised Exhibit B the last known addresses for the respondents?

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest listed at revised Exhibit B-3?

A. Yes.

Q. Again, are you familiar with the fair

market value of drilling rights?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

(Mr. Hall confers with Mr. Kaiser.)

Q. Okay. At this time, why don't you explain the change in the exhibits?

A. On page one...in fact, three...the first name was initial Meredith Ellis Igbal. She has since changed her name to Jennings. We changed the exhibit to reflect that.

Q. And that's the only change?

A. That's the only change.

JIM KAISER: Mr. Chairman, at this time, we'd ask again that the statutory election option testimony taken in item 1680 earlier today, with Don's agreement and your agreement, be incorporated for purposes of this hearing?

BENNY WAMPLER: Do you agree?

DON HALL: Yes.

BENNY WAMPLER: They will be incorporated.

Q. Don, we do need...the Board does need to establish an escrow account for this well for any proceeds

attributable to Tract 2, is that correct?

A. That's correct.

Q. Okay. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what's the total depth for this proposed well?

A. 2494 feet.

Q. And the estimated reserves for the unit?

A. 350 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. The dry hole costs is \$122,847 and the completed well costs is \$285,845.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge

for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Any questions from members of the Board?

BILL HARRIS: Mr. Chairman, I don't see a location plat---.

BENNY WAMPLER: Yeah, that's what I was looking for.

BILL HARRIS: ---in the materials that we had received.

JIM KAISER: There's not a plat?

BENNY WAMPLER: Do you have a location plat? It's not with us...we don't have it.

BOB WILSON: Yes, we do have a plat in the signed copy of the original.

BENNY WAMPLER: You might just pass it down and let us look at it.

JIM KAISER: Thank God Bob is getting them. I've got one right here. Is it dated 7/25/06?

BOB WILSON: Yes.

JIM KAISER: Okay. I've got it.

(Board members review the plat.)

JIM KAISER: I wonder why you're getting them with the plat and then...now, procedurally do...we send you like ten copies don't we? But the plat, apparently, is just getting into your original copy and it is not been getting into some of the Board's copies. All right, I'll talk to Susan.

BOB WILSON: We get the original and ten copies. The copies, of course, are disbursed to Board members.

JIM KAISER: Okay. So, you're not taking your one copy and copying them and putting them in the---?

BOB WILSON: No.

JIM KAISER: We're doing that.

BOB WILSON: Generally, the only one we check is the original.

JIM KAISER: I'll make sure that it doesn't happen again. I don't know why that has happened.

SHARON PIGEON: Do think because this is blue and it's not copying on a machine, so they're taking that out separately and not doing it?

JIM KAISER: That's what has happened. They're missing it in putting it back in.

BENNY WAMPLER: Do you have anything...did that answer you question?

BILL HARRIS: Yes, it did. Thank you.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted with the revised set of exhibits.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Motion to approve and a second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You have approval. Next is a petition from Equitable Production Company for creation and pooling of conventional gas unit V-537302. This is docket number VGOB-06-0919-1719. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser and Don Hall, again, on behalf of Equitable.

BENNY WAMPLER: The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the application that we filed seeking establish a drilling unit and pool any unleased interest owners within the unit for well V-537302, which was dated August 18, 2006?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. Yes.

Q. And prior to the filing of the application, were efforts made to contact each of the interest owners

within the unit and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. And what percentage of the gas estate within the unit that's under lease to Equitable?

A. We have 98.30% leased.

Q. And so that just leaves 1.70% as being unleased?

A. That's correct.

Q. Again, that's represented by the unknown heirs of Joseph Kiser?

A. That's correct.

Q. Okay. And, again, you made reasonable and diligent efforts and checked sources to attempt to locate the unknown heirs of Joseph Kiser?

A. Yes.

Q. In your professional opinion, due diligence was exercised to locate each of the respondents named in the exhibits?

A. Yes.

Q. Are you requesting this Board to force pool all of the unleased interest listed at revised Exhibit B-3?

A. Yes.

Q. Again, are you familiar with the fair

market value of drilling rights in this unit?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

JIM KAISER: Again, with your permission and the Board's permission, Mr. Chairman, we'd like to incorporate the statutory election option testimony that was previously first taken today in item 1608.

BENNY WAMPLER: Do you accept those?

DON HALL: Yes.

BENNY WAMPLER: Those will be incorporated.

Q. Don, we do have to establish an escrow account---?

A. That's correct.

Q. ---for proceeds attributable to Tract 4, is that correct?

A. Yes.

Q. Okay. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what's the total depth of this proposed well?

A. 6611 feet.

Q. And the estimated reserves for the unit?

A. 200 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. Yes, it has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. It does.

Q. Would you state for the Board, in this case, both the dry hole costs and completed well costs?

A. The dry hole costs is \$289,318 and the completed well costs is \$511,082.

Q. And do these charges anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Have you all got a well plat this time?

BENNY WAMPLER: Yes.

BILL HARRIS: Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Motion to approve and second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537304. This is docket number VGOB-06-0919-1720. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable. We do have a revised set of exhibits for this hearing.

(Mr. Hall passes out revised exhibits.)

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Don, before we get started, can you go ahead and explain to the Board why we have the revised exhibits and, I guess, point them to B-2.

A. Yes. Since the application, we have reached an agreement with Pine Mountain and Chesapeake and we're dismissing them in the Exhibit B-2.

Q. So, have you got a voluntary agreement with them?

A. Yes.

Q. So, this is very similar to the first one

we did today, which we keep referring back to for the purposes of incorporating that testimony?

A. That's correct.

Q. Because what we're doing is just pooling the unknown interest of Yellow Popular Lumber Company?

A. That's correct.

Q. Okay. Are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And what percentage of the gas estate is under lease at this time to Equitable?

A. We have 59.34% of the gas estate leased.

Q. And what percentage of the coal estate?

A. We have 100% of the coal estate.

Q. Okay. So, that just leaves 40.66% of the gas estate as being unleased, correct?

A. That's correct.

Q. And that's a percentage represented by the unknown interest in Yellow Popular?

A. That's correct.

Q. Okay. Again, you've done everything you can to try to located those folks, right?

A. Yes.

Q. Okay. Are you requesting the Board to force pool all unleased interest listed at revised Exhibit B-3?

A. We are.

Q. Again, are you familiar with the fair market value of drilling rights in the unit here?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do those terms you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Again, Mr. Chairman, with your and the Board's permission and Don's agreement, we would like to incorporate the election option testimony taken first in item 1608.

BENNY WAMPLER: Do you accept that?

DON HALL: Yes.

BENNY WAMPLER: That will be incorporated.

Q. For this particular unit, the Board needs to establish an escrow account for Tract 1, is that correct?

A. That's correct.

Q. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what's the total depth of the proposed well here?

A. 2479 feet.

Q. The estimated reserves for the unit?

A. 230 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole costs is \$114,848 and the completed well costs is \$281,747.

Q. Do these charges anticipate a multiple

completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Your well proposed outside of the drilling window?

DON HALL: Yes.

BENNY WAMPLER: Tell us why.

DON HALL: That's handled within the permitting process. I don't really know for sure why. Most likely, it's from topographic constraints or it may be where the coal company put it. I'm not for sure.

BENNY WAMPLER: Other questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I just have one about the plat.
This PL line that's---.

DON HALL: That's the property line.

BILL HARRIS: Okay.

JIM KAISER: It's just a line between the two
tracts.

BILL HARRIS: Okay. And the other thing is
the...why does this have proposed latitude and longitude?
Is that normal? I know this is a unit that is next to the
Oakwood unit. But under the Oakwood units it says,
"proposed coordinates".

DON HALL: I'm not sure why...I'm not sure why
they refer to it as proposed. I guess, because they hadn't
drilled it yet.

BOB WILSON: Mr. Chairman, I think I can answer
that.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: The...this is the plat that they
probably put together for the permit application and it's a
proposed well until the permit is issued. Actually, they
have some tolerance with those coordinates as to where they
can drill. They have to submit a final plat to show the
final location of the well. I'm sure that that's what
they...the distinction is here.

BILL HARRIS: Yeah. I don't...I just saw the proposed there. But that's...yeah, that's all.

DON HALL: As you'll...as you'll probably notice also, this is one of those as what we, I guess, refer to as makeup units.

BILL HARRIS: Makeup units, yeah.

DON HALL: It's a smaller unit that butts up against the Oakwood units.

BENNY WAMPLER: Right. Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no. You have---.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You have approval. Next is a petition from Equitable Production Company for creation and pooling of conventional gas unit V-536803. This is docket number VGOB-06-0919-1721. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable Production Company.

BENNY WAMPLER: The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the application that we filed seeking to establish a unit and pool any unleased interest within the unit for well V-536803, which was dated August 18, 2006?

A. That's correct.

Q. Does Equitable own drilling rights in the unit involved here?

A. Yes.

Q. And prior to the filing the application, did you make efforts to contact and work out a voluntary

lease agreement with each of the interest owners within this unit?

A. We did.

Q. And what's the interest under lease to Equitable within this unit?

A. We have 78.95% of the gas leased in this unit.

Q. Okay. And are all the unleased parties set out at Exhibit B-3?

A. Yes.

Q. And that would be the interest as shown in Tract 2?

A. That's correct.

Q. And that percentage that remains unleased is 21.05%?

A. That's correct.

Q. And I noticed that we had a Joan Trivette and a James Trivette, III and then a Christina L. Trivette. It looks like Joan has a half and they each have a fourth in the tract. We were not able to, by talking with them and attempting to lease them, we weren't able to ascertain Christina's whereabouts?

A. No.

Q. So, in your opinion...professional opinion,

due diligence was exercised to locate everybody named in the exhibit?

A. Yes.

Q. And are you requesting the Board to force pool all unleased interest listed at Exhibit B-3?

A. We are.

Q. Again, are you familiar with the fair market value of drilling rights in this unit?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus with a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Again, Mr. Chairman, with the Board's permission and Don's agreement, we would like to incorporate the election option testimony first taken in item 1608.

BENNY WAMPLER: Do you accept that?

DON HALL: Yes.

BENNY WAMPLER: That will be incorporated.

Q. Okay. And in this case we need to establish an escrow account for the one-fourth interest that Christina Trivette has in Tract 2, is that correct?

A. That's correct.

Q. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And the total depth of this proposed well?

A. 4783 feet.

Q. The estimated reserves for the unit?

A. 350 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. It does.

Q. Could you state both the dry hole costs and completed well costs?

A. The dry hole costs is \$231,913 and the completed well costs is \$504,689.

Q. Do these charges anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. It does.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

JIM KAISER: Everybody has a plat?

BILL HARRIS: Yeah.

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DONNIE RATLIFF: I'll abstain.

BENNY WAMPLER: Mr. Ratliff abstains. Next is a petition from Equitable Production Company for a well location exception for proposed well V-536804. This is docket number VGOB-06-0919-1722. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable Production Company.

BENNY WAMPLER: The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. And you're familiar with the application that we filed seeking the location exception for well V-536804?

A. Yes.

Q. Have all interested parties been notified as required by Section 4(B) of the Virginia Gas and Oil Board Regulations?

A. They have.

Q. Could you indicate for the Board the ownership of the oil and gas underlying the unit for V-536804?

A. We have...Equitable has a 100% of the gas leased.

Q. Okay. And are there any correlative rights issues?

A. No.

Q. Okay. Explain why not and explain why we're seeking this exception in conjunction with the exhibit that you just passed out to the Board.

A. We have...the reciprocal wells...our wells as well as the subject well here and the well is approximately 62 feet...61 and some odd feet from 6212 short of the 2500 foot distance. If we push on...as you can see from the exhibit that I've passed out, the circles around

6712 and...536712 and 536803 represent a 2500 foot radius from those wells, which indicate that the well is outside both of those circles it would be a legal location greater than 2500 feet from those wells. If we push that 6804 well south the 62 feet or so that would it require to be a legal location, we would hit on the steep hillside that has about a 65% grade there and it wouldn't be a real feasible place to build the location.

Q. So, it's primarily a topographic constraint---?

A. That's correct.

Q. ---or a safety concern?

A. Yes.

Q. Okay. And in the event this location exception were not granted, would you project the estimated loss of reserves?

A. 300 million...350 million cubic feet.

Q. And what's the total depth of this well under the plan of development?

A. 4856 feet.

Q. Are you requesting that this location exception cover conventional gas reserves to include designated formations listed in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of gas reserves underlying the unit for V-536804?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman?

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, I just have a question about accessibility. I guess the 6803, the one to the left, is that the one we just approved?

DON HALL: 6804.

JIM KAISER: 6804.

BILL HARRIS: 6804.

DON HALL: Oh, no, 6803, yeah, was the one that we just approved, yes.

JIM KAISER: Yeah.

DON HALL: You're correct.

BILL HARRIS: Yeah, okay. We don't show access roads. Is there...I guess, there's one for the...well, that red dotted line, I guess, is the 6712. That kind of goes off to the north though.

DON HALL: Yes. This exhibit doesn't show the access road. The application for permit would. The access road would leave that red dotted line up there under the word "ridge" and would come down that ridge coming generally southwest and staying on top on the ridge through the word "Mack" and to that well and then would go on around that ridge to 6803.

BILL HARRIS: Yeah, okay, because the river and the railroad are on the other side.

DON HALL: Right. Yeah.

BILL HARRIS: Okay. I was just curious.

DON HALL: Yeah.

BILL HARRIS: Okay.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Chesapeake Appalachia, LLC for creating and pooling of conventional gas unit 824656. This docket number VGOB-06-0919-1723. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, in this matter it will be Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake Appalachia, LLC.

BENNY WAMPLER: Let me go ahead and get you gentlemen sworn in.

(Stan Shaw and Dennis Baker are duly sworn.)

BENNY WAMPLER: The record will show no others. You may proceed.

JIM KAISER: We'll start with Mr. Baker.

DENNIS BAKER

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, if you'd state your name, who you're employed by and in what capacity?

A. Dennis Baker. I'm employed by Chesapeake Appalachia as senior landman.

Q. And do your responsibilities include the land involved in this hearing and in the surrounding area?

A. Yes.

Q. Are you familiar with the application that we filed seeking establish a drilling unit and pool any unleased interest within that unit for this well, which is 824656, which was dated August the 18th, 2006?

A. Yes, I am.

Q. Does Equitable own drilling rights in the unit involved here?

A. Yes.

Q. And prior to the filing of the application, were efforts made to contact each of the interest owners within the unit and an attempt made to work out a voluntary lease agreement with them?

A. Yes, it was.

Q. And what is the interest that's under lease to Chesapeake within this unit?

A. Currently, we have 90.797764% of the unit
leased.

Q. And what is the percentage that remains
unleased?

A. The unleased portion is 9.202236.

Q. And that's represented by the Buchanan
Realty Company, Tract 3?

A. Yes.

Q. And are all unleased parties set out in our
Exhibit B-3?

A. Yes.

Q. Okay. We don't have any unknown interest
owners within the unit, do we?

A. No, we do not.

Q. And are the address as set out in Exhibit B
to the application the last known addresses for the
respondents?

A. Yes.

Q. Are you requesting this Board to force pool
all unleased interest listed at Exhibit B-3?

A. Yes, I am.

Q. Now, are you familiar with the fair market
value of drilling rights in this unit and in the surrounding
area?

A. Yes, I am.

Q. Could you advise the Board as to what those are?

A. A five dollar term, a five dollar per acre consideration and a one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, with you and the Board's permission and Mr. Baker's agreement, we would like to incorporate the statutory election option testimony taken previously in item 1608.

BENNY WAMPLER: Do you agree to those terms?

DENNIS BAKER: Yes, I do agree.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Baker, in this case, the Board...we don't have any unknown interest owners and it's a conventional well, so the Board does not need to establish an escrow account for this unit, is that correct?

A. That's correct.

Q. And who should be named operator under any force pooling order?

A. Chesapeake Appalachia, LLC.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, if you would state your name for the Board, who you're employed by and in what capacity.

A. My name is Stan Shaw. I'm employed by Chesapeake Appalachian, LLC as a reservoir engineer.

Q. And you're familiar with the proposed exploration of this...and the development of this unit?

A. I am.

Q. And what's the total depth of the proposed well?

A. 6,180 feet.

Q. And the estimated reserves for the unit?

A. 300 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole costs are \$264,531 and the completed well costs are \$547,831.

Q. Do these charges anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. It does.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the

Board of this witness?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 825695. This is docket number VGOB-06-0919-1724. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Dennis Baker, Jim Kaiser and Stan Shaw on behalf of Chesapeake Appalachia,

LLC.

BENNY WAMPLER: The record will show no others.

You may proceed.

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, again, you're familiar with the application that we filed seeking establish a drilling unit and pool any unleased interest within that unit?

A. Yes, I am.

Q. Does Chesapeake own drilling rights in the unit involved here?

A. Yes, we do.

Q. And what percentage is under lease to Chesapeake at this time?

A. The interest leased to Chesapeake at this time is 95.295649%.

Q. And the unleased percentage at this time?

A. The unleased portion of the unit is 4.704351%.

Q. And are all the unleased parties set out in Exhibit B-3?

A. Yes, they are.

Q. And we do have, I believe...let me look on my exhibits here. We don't have an Exhibit E. I don't see one. We do have an unknown and unlocateable interest. I know you're going to point it out to me. It's in Tract 5. It's a Mary Sue Harris interest. So, the Board will need to establish an escrow account for any proceeds attributable to that interest in Tract 5, is that correct?

A. That's correct, yes.

Q. And you've made reasonable and diligent efforts to try to locate her?

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest listed in Exhibit B-3?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes, I am.

Q. Could you advise the Board as to what those are?

A. A five dollar per acre consideration, a five year term and a one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent the fair market value of and the fair

and reasonable compensation?

A. Yes.

JIM KAISER: Mr. Chairman, again, with you and the Board's permission and Mr. Baker's agreement, we would like to incorporate the statutory election option testimony first taken in item 1608 this morning.

BENNY WAMPLER: Do you accept that?

DENNIS BAKER: I agree, yes.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Baker, who should be named operator under any order?

A. Chesapeake Appalachia, LLC.

JIM KAISER: Thank you. Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Let me ask you, and I probably should know this, but you have John...on page two of four you have like John H. Belcher, agent for the George Belcher Heirs and you don't have anything down about leased, unleased or anything else.

DENNIS BAKER: Right. The agent does not have any leasing rights. So, he's just...he is more of a...someone who receives notice for particular...for those individuals that are under that estate.

JIM KAISER: So, there's no interest attributable

to him as agent.

DENNIS BAKER: There's no interest...yeah, he does not have an interest.

JIM KAISER: We just listed him because we noticed him as an agent.

SHARON PIGEON: But the Heirs have---.

JIM KAISER: Right.

DENNIS BAKER: Yes.

JIM KAISER: The people above it.

SHARON PIGEON: Are they all listed individually?

JIM KAISER: Right.

SHARON PIGEON: Okay.

DENNIS BAKER: Yes.

BENNY WAMPLER: Okay. That's why I wasn't sure it was...it's all of those above him then?

JIM KAISER: Right.

DENNIS BAKER: Yes.

JIM KAISER: It's all the asterisk people.

BENNY WAMPLER: All right. Any questions of this witness from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, do your responsibilities include the land involved in this unit and in the surrounding area?

A. Yes.

Q. And you're familiar with the proposed exploration and the development of this unit?

A. I am.

Q. And what's the total depth of this proposed well?

A. 6,190 feet.

Q. And the estimated reserves for the unit?

A. 300 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. It does.

Q. Could you state for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole costs are \$291,977 and the

completed well costs are \$573,037.

Q. And do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. It does.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: Motion to approve. Is there a second?

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying
yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a
petition from Chesapeake Appalachia, LLC for a well location
exception for proposed well 825695. This is docket number
VGOB-06-0919-1725. We'd ask the parties that wish to
address the Board in this matter to come forward at this
time.

JIM KAISER: In this particular case, Mr.
Chairman, it will be Jim Kaiser and Stan Shaw. This is a
location exception for the well that we just pooled.

BENNY WAMPLER: All right. The record will show
no others. You may proceed.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, obviously, your responsibilities

include the land involved here?

A. Yes.

Q. Are you familiar with the application that we filed seeking a location exception for this well?

A. I am.

Q. Have all interested parties been notified as required by Section 4(B) of the Virginia Gas and Oil Board Regulations?

A. Yes.

Q. Would you indicate for the Board the ownership of the oil and gas underlying the unit for this well?

A. Chesapeake Appalachia owns 100%.

Q. Okay. We are seeking an exception from just one well, correct?

A. Yes, 825528.

Q. And is that a reciprocal well that Chesapeake has a right to operate?

A. Yes.

Q. Okay. So, there's no correlative rights issues?

A. No.

Q. Okay. Now, I know we did not prepare an exhibit for this location exception because it was strictly

a coal driven location, is that correct?

A. Correct.

Q. Could you explain that to the Board?

A. It's in a strip mine operated by Wellmore Energy. May the 17th they pre-agreed to the site to minimize the impact on future mining operations.

Q. Okay. In the event that this location exception were not granted, were you project the estimated loss of reserves? I think we took that earlier in the force pooling and---.

A. Yes.

Q. ---found it to be 300 million cubic feet.

A. That's correct.

Q. And the proposed depth, obviously, is still the same as we testified to in the force pooling hearing, which is 6,190 feet?

A. Yes.

Q. Okay. Are you requesting this location exception to cover conventional gas reserves to include the formations designated in our application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing

waste, protecting correlative rights and maximizing the recovery of gas reserves underlying the unit for this well?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Mr. Baker, just going back, I know he didn't call you this time, but on the last application I noticed, and I meant to ask then and it's in here so I'll ask it, it just sounds odd...this ladies name is Mae Sue Harris and not Mary Sue Harris?

DENNIS BAKER: Mae Sue Harris, yes.

BENNY WAMPLER: That's kind of odd, you know, because I thought maybe an R was left out. Okay, I'm just asking. Any questions of this witness from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: Motion for approval.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Chesapeake Appalachia, LLC for repooling of conventional gas unit 825692. This is docket number VGOB-06-0718-1680-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: For this item, Mr. Chairman, it will be Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake. Mr. Baker is passing out a revised set of exhibits.

(Mr. Baker passes out revised exhibits.)

JIM KAISER: As you can see, this is a repooling. After some subsequent title work, discovered an additional tract in the unit. If you'll look at your plats, it's over at 9:00 o'clock on the circle. It's a piece that came out of a portion of Tract 3 and 4 and now makes up Tract 5. Then adding that tract we not only had to add that tract, but the percentages in Tracts 4...3 and 4 changed also. So, all those people whose interest changed received notice and

we're back before you to repool this well.

BENNY WAMPLER: The record will show no others.
You may proceed.

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, I guess, before we get into your standard testimony today, did I explain that well enough?

A. Yes. Tract 5 is the same ownership as Tract 4. Tract 3 interest in the unit and acreage was reduced. So, those are the reasons that we're repooling.

Q. Okay. And does Chesapeake have drilling rights in the unit involved here?

A. Yes, we do.

Q. And what is the interest that's under lease to Chesapeake now?

A. Currently, we have 93.166289% leased.

Q. Okay. And so the...the percentage that remains unleased?

A. The unleased portion is 6.833711%.

Q. And are all the unleased parties set out at our revised Exhibit B-3---?

A. Yes.

Q. ---that you just passed out or was that just B?

(Mr. Kaiser confers with Mr. Baker.)

Q. So, all unleased parties are set out at Exhibit B-3?

A. Yes.

Q. Okay. And we do have some unknown entities?

A. Yes, we do.

Q. So, the Board needs to establish an escrow account covering some interest in Tracts 2, 3, 4 and 5?

A. Yes.

Q. And that's reflected in the Exhibit E?

A. Yes.

Q. Okay. And you made reasonable and diligent efforts to find those unknown and unlocateable folks?

A. Yes, we have.

Q. Okay. In your professional opinion, due diligence was exercised to locate each of the respondents with this unit?

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest listed at Exhibit B-3?

A. Yes.

Q. Are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes, I am.

Q. Could you, again, advise the Board as to what those are?

A. A five dollar per acre consideration, a five year term and a one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights?

A. Yes.

JIM KAISER: Okay. Mr. Chairman, again, with you and the Board's permission and Mr. Baker's agreement, we would like to incorporate the statutory election option testimony that was first taken today in item 1608.

BENNY WAMPLER: Do you accept that?

DENNIS BAKER: Yes, I do.

BENNY WAMPLER: That will be incorporated.

Q. And, Mr. Baker, who should be named operator under any order?

A. Chesapeake Appalachia, LLC.

JIM KAISER: Nothing further for this witness at this time, Mr. Chairman.

BENNY WAMPLER: Any questions of this witness from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: I'm sorry.

BOB WILSON: Excuse me.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: I did not get a revised Exhibit B-3. Was one passed out? Exhibit B-3 is actually what was filed with the order.

BENNY WAMPLER: No, it's not in here.

DENNIS BAKER: The Exhibit B-3...

(Mr. Baker confers with Mr. Kaiser.)

JIM KAISER: We'll need to file a B-2 and B-3 because B-2 will dismiss them if they're leased now and then B-3. So, we'll need to get you a B-2 and a revised B-3.

BENNY WAMPLER: Okay. Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, are you familiar with the proposed development of this well?

A. I am.

Q. And what's the total depth?

A. 5,725 feet.

Q. And the estimated reserves?

A. 400 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. It does.

Q. Could you state for the Board the well costs for this well?

A. The dry hole costs are \$262,137 and the completed well costs are \$508,325.

Q. And do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. It does.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of

correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the Board approve the application with the caveat that we will be submitting a B-2 and a revised B-3 to Mr. Wilson ASAP.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: This unit was originally pooled in July and no order has been issued yet. I would like to get the Board's authorization to only file and record one order under this action.

BENNY WAMPLER: Any objections?

(No audible response.)

BENNY WAMPLER: You have authorization to do that.

BOB WILSON: Thank you.

BENNY WAMPLER: The Board has previously received the minutes from the last meeting. Is there a motion to approve or any suggested changes?

DONNIE RATLIFF: I move to approve, Mr. Chairman.

BENNY WAMPLER: Motion to approve. Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Meeting for

November, let's talk about that. I'm going to suggest that we go to the second Tuesday instead of the third Tuesday. Is that a problem?

BILL HARRIS: What's the date on that?

BENNY WAMPLER: The second Tuesday---.

BOB WILSON: The 14th.

BENNY WAMPLER: will be the 14th. The third Tuesday will put you just two...one day---.

BILL HARRIS: Right.

BENNY WAMPLER: ---before Thanksgiving. So, that would be November the 14th. Any problem with that for anyone?

(No audible response.)

BENNY WAMPLER: Then that's what we will change it to.

BILL HARRIS: The election is a week before that or two weeks. When is the election?

BENNY WAMPLER: The election is---.

BILL HARRIS: The 7th?

BENNY WAMPLER: ---the 7th.

BILL HARRIS: Okay.

BENNY WAMPLER: And food is out on the table.

JIM KAISER: So, that's going to...that will push the deadline to October the 13th, that Friday, I guess.

BOB WILSON: Yes. It will push the deadline back, yes.

JIM KAISER: All right.

BOB WILSON: We have some...I have an item here that we need to discuss with the Board, if you don't mind, please, sir.

BENNY WAMPLER: Yes, sir, Mr. Wilson.

BOB WILSON: We need to talk a little bit about the escrow account situation. The transition to, I'll refer to it as local Wachovia, is underway. Basically, what is happening is the money is being transferred to...the accounts will be transferred to Roanoke. The management will be in Roanoke. Our contacts will be in Roanoke. The accounting itself will probably be done in Winston-Salem, which is their major accounting facility for Wachovia. The deadlines that we have discussed are that as of the end of this month, September, all future deposits, all future bookkeeping will be done by the Roanoke group as opposed to the AST Group that is doing it right now.

There is a change in the fee structure for what they are proposing for us to do now. I'd like to pass this down to you to look at. Pass that along, please. Basically, we have been paying a flat rate of \$5,000 per month for the, I guess you would call it, record keeping is

what they refer to it here for the account itself. That has been the only fees that we have paid. If you remember they had come back to us just before this AST purchase was done and asked to have that increased because of the increased activity. We never acted on that because of the sale of the assets...those assets to AST. What they're proposing now a fee of \$8 per account for record keeping fees, which basically, at this point in time, would come up to around \$4,800 per month, which is a bit less than what they were charging earlier. But they're also going to put on a one-quarter of 1% asset management fee. Now, the way that they're planning to set up the money in these accounts, they're going to actually petition the account and we'll have a say in exactly how that's done. But a certain portion of that will be into a higher yield set of investments. I asked for and was provided this basically a comparison of the situation here.

BENNY WAMPLER: Which is the second page of that.

BOB WILSON: Which is the second page of this email, basically. They have used the August yield numbers for both types of investments. They're figuring on in this particular scenario partitioning 500 million dollars out of the account into this managed account. Again, of course, all of this is done according to State Guidelines. It's

still under the same controls and same protections as any state deposits would be. But the current yield that we're getting is 4.78%. The yield that we would have gotten in this partition situation with the managed account is 5.2%, yielding a difference, again, just on \$5,000,715.00 plus for the account itself. We do have the ability of partitioning more money into that higher yield account. It's my understanding, I need to explore this further, we actually had a conference call yesterday between quite a few of us. It's my understanding that account does not have any liquidity problems. We don't have to worry about somebody coming in with a 10 million dollar disbursement order and we get caught with a penalty situation or anything. So, we could actually put more money into that account and get an even higher yield, if we wanted to, and keep enough in the we basically call it a running account, to satisfy our obligations insofar as expenses and disbursements are concerned. We...from a practical standpoint we're kind of in a position right now that we need to go ahead and act on this. By the way, the rate that they have quoted here is less than the initial one they quoted because I had an assistant with me at the last face to face meeting we had by the name of Mr. Wampler and he announced to him that he thought that was a little high and they came back with a

little bit lower number for that percentage fee.

So, it would be my recommendation that we go ahead and go with this. Now, there is...there is some paperwork, of course, that we have to sign and that we would have to get a contract modification agreement with them in order to go to this structure. I say that from my standpoint for two reasons. Number one, when I asked for a cost benefit analysis, they actually generated numbers that show under an actual scenario in August We would have come out better in the account like this than where we are now. Number two, we're...as I said, we're approaching the point that we have to do something with this account because right now the company that bought that...the old function of Wachovia is doing this on contract to Wachovia. That's not going to last forever. We need to go ahead and get it out of there.

The other thing...the other aspect of this is that we still have the option available to us that we've had all along. If this does not work out, we can, with reasonable notice, get out of this contract at anytime. That's the way the state contracts are written that we can give notice. We don't even have to give cause actually and we can get out of this contract. I think it's...again, from significant conversations with these folks, that we're actually going to end up with a better return here. At first blush, it was

kind of hard to swallow the extra \$10,000 or so a year that we're going to spend on it. But when given, like I said, a cost benefit analysis based on actually numbers, it looks like we're going to come out pretty well on this.

I would submit that, again, for your discussion and my recommendation for what its worth.

BENNY WAMPLER: I would also just add that I would suggest we put everything but a million dollars if we don't have a liquidity issue and Bob is continuing to make certain we don't have and leave a million out there to...you know, if we had to payouts and everything and not worry about that and have all the rest in there earning the 5.2, which will probably more than offset the cost increase.

BOB WILSON: Oh, yeah. Well, we...yeah, we can actually...according to his analysis, we can offset the cost increase by just having 5 million in.

BENNY WAMPLER: Right, right. But if we put it all, we're---.

BOB WILSON: They randomly picked that. I did not---.

BENNY WAMPLER: Right.

BOB WILSON: ---give them any numbers of anything. So, that was just something that they picked to use as an example. They have demonstrated that they can do the

reporting that's necessary. They...they have all those formats pretty well nailed down already.

BENNY WAMPLER: It's a very complex bookkeeping, as you can imagine, in setting up all of these separate accounts every time we've pooled all of these various parties, sometimes with hundreds of them in there. So, anyway, any discussion?

BILL HARRIS: When you talk about everything but the 5, is that the 12.5 million that's on the front that they're---?

BOB WILSON: Yes. We...actually, it's getting---.

BENNY WAMPLER: It's more than that.

BILL HARRIS: It's actually...yeah.

BOB WILSON: ---close to 15 now.

BENNY WAMPLER: It's almost 15 million now.

BILL HARRIS: Yeah.

BENNY WAMPLER: So, I guess, I'm suggesting we invest all but 14 million in that higher yield---.

BILL HARRIS: You said all but.

BENNY WAMPLER: ---all but 1 million---.

BILL HARRIS: Yeah, okay.

BENNY WAMPLER: ---in that higher yield and approve this to go forward. Is there a motion to do that?

BILL HARRIS: Yeah, I'll make that motion.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying
yes.

(All members signify by saying yes.)

BENNY WAMPLER: Okay. You have unanimous
approval. Do you have anything further?

BOB WILSON: No, sir.

BENNY WAMPLER: Thank you. That concludes today's
hearing.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary
Public for the State of Virginia, do hereby certify that the
foregoing hearing was recorded by me on a tape-recording

machine and later transcribed under my supervision.

Given under my hand and seal on this the 12th day
of October, 2006.

NOTARY PUBLIC

My commission expires: August 31, 2009.